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Φ D 8523A

INDONESIA
Changing world undermines aid
Page 8

World News

East Germans set for full German unity by year end

Full German political unity by the end of the year looked likely last night, after the ruling Christian Democratic Party in East Germany called for all-German elections in December. Page 20

Oil spill danger
Salvage workers briefly boarded the Norwegian supertanker Mega Borg, ablaze in the Gulf of Mexico, but the fire was still believed to be burning below decks and the danger of an oil spill remained. Page 20

Thai army truce
Thailand's military chiefs called a truce in their row with the Government, at least until Prime Minister Choonhavan returns from an official visit to the US. Page 8

Sri Lankan ceasefire
The Sri Lankan Government and Tamil Tiger separatist guerrillas agreed to end fighting that has risked a return to civil war on the island. Page 8

Soviet ethnic clash
The death toll from a wave of ethnic unrest in Soviet Kirghizia rose to 139 in eight days of clashes.

Dominican President
Incumbent President Joaquin Balaguer was declared the winner in the Dominican Republic presidential elections, defeating his closest rival by a narrow margin. Page 4

Algerian election
Algerians went to the polls in the country's first free elections after 28 years of one-party rule by the National Liberation Front. Photograph, Page 8

Liberian refugees
More than 150,000 refugees have fled Liberia to neighbouring states in West Africa to escape the ravages of civil war, the UN refugee agency said.

Mozambican talks
Representatives of Mozambique's left-wing Government, and rebels who have fought it for 14 years, arrived in the Malawian city of Blantyre for their first peace talks.

Christians freed
King Birendra of Nepal ordered the release of 29 Christians jailed on charges of trying to convert Hindus.

Disclosure for MPs
Geoffrey Palmer, the New Zealand Prime Minister, outlined a new law which will require members of parliament to disclose their financial interests within four weeks of taking office. Page 8

Ireland keeps curbs
Ireland will maintain limits on cross-border shopping in the north, despite a ruling by the European Court of Justice that the rules are illegal. Page 20

Indian unrest
Three bombs exploded in Srinagar, where 13 members of India's security forces were killed in attacks by separatist Kashmiri militants. New Delhi imposed a curfew on the nearby Buddhist town of Leh.

Soviet press law
The Soviet parliament passed a bill to guarantee press freedom and eliminate censorship.

Libyan militia
Libyan leader Muammer Gadaffi ordered the immediate creation of a volunteer people's guard militia, but he did not explain the guards' mission.

Iran fits submarines
Iran's top admiral said the Iranian navy was preparing submarines to be based on the approach to the Strait of Hormuz, and warned Iraq against trying to sail new warships through the strait.

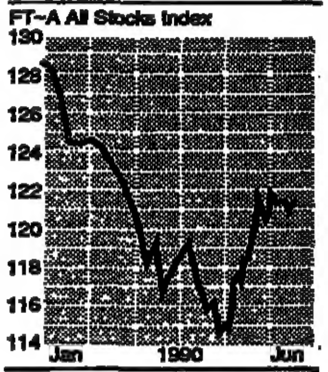
Business Summary

Philips and Olivetti call off talks on collaboration

PHILIPS of the Netherlands and Olivetti of Italy, two of Europe's leading electronics companies, have abandoned negotiations on possible collaboration. In a joint statement the two groups said: "The talks have shown that at this moment co-operation in the investigated areas offers no substantial benefits to either company." The talks, which came to light last April, provoked speculation that Philips wanted to take control of Olivetti to bolster its own struggling computer operations. Both companies denied that this had been discussed. Page 21; Lex, Page 20

UK GILTS: Prices were boosted by nearly two points in the morning as sterling traded much higher on the foreign exchange market.

UK Gilts



By lunchtime, the gilts market had recovered its uncertainty and the market lost almost half its early gains. Page 25

BANK OF JAPAN report shows decline in business confidence in Japan in the last three months. Page 8

CHRYSLER and Renault are abandoning planned $500m venture to develop a joint vehicle for production in western Europe and North America. Page 21

CREDIT LYONNAIS, French state-owned bank, is assisting the French Government in an attempt to win state control of Framatome, nuclear plant builder. Page 22

JAPAN is about to take over from the US as the world's leading electronics producer and trader in the next few years according to US Commerce Department study. Page 4

CHINA launched its most intensive attempt to attract foreign investment since the Tiananmen Square crisis, by sending a high-level mission to Hong Kong. Page 8

STORA, Swedish pulp and paper group, bid to take over Chapelle Darblay, newsprint and magazine paper producer, in partnership with Finland's Kymmene, has been blocked by the French Government. Page 21

WORLD AIRLINE profits declined by 23.5 per cent last year because of higher fuel and labour costs. Page 3

AUSTRALIA rejected a A$350m ($193m) bid by Robert Maxwell, British publisher, for a 49 per cent share in the West Australian, Perth-based daily newspaper. Page 24

SOUTHERN SUN, largest owner and operator of hotels in Africa, is to be delisted from the Johannesburg Stock Exchange. Page 23

ARABIAN General Investment Corp, Dubai-based investment holding company, has bought 27 per cent of Grupo Husa, Spanish hotel group, for Pta5bn ($46m). Page 23

IRELAND's curbs on travellers allowances were judged to be illegal by the European Court of Justice. Page 11

KITCAT & Aitken, UK securities house, cannot be saved after a meeting of Deutsche Bank in Frankfurt rejected proposals to buy up its agency operations. Page 21

Gorbachev hints at deal on Lithuanian independence

By **Leyla Boulton** in Moscow

MR Mikhail Gorbachev, the Soviet leader, yesterday held out his first hint of a compromise with rebel Lithuania and sketched his vision of a Soviet federation of sovereign states.

At a meeting with the leaders of the Soviet Union's 15 republics, Mr Gorbachev talked of a new union treaty ensuring republics' sovereignty and new, individually-tailored links with the centre, according to the official Soviet news agency Tass.

Mr Gorbachev earlier softened his stance on Lithuania by saying that the breakaway republic need suspend its independence declaration only during secession talks.

"If Lithuania will suspend the implementation of the act of state independence which was taken by the Lithuanian republic then we can begin discussions and I mean by this suspension during the period of negotiations," Mr Gorbachev told the Soviet parliament yesterday.

Moscow has previously insisted that Lithuania suspend or repeal the declaration as the pre-condition to any talks. Lithuania in turn has so far flatly rejected any suggestion it should suspend its March 11 declaration.

Speaking at a news conference *after more than an hour* of talks with the Soviet leader, Mr Vytautas Landsbergis, the Lithuanian president, said:

"I fear that tomorrow nothing will have changed but let's see how things work out the day after."

It was Mr Gorbachev's first meeting since March 11 with the Lithuanian president, who was accompanied by his Latvian counterpart, Mr Anatolijs Gorbunovs.

"I told President Gorbachev that a political dialogue is impossible under economic blockade and pressures," Mr Landsbergis told the news conference.

"But he wants the governments of Lithuania and of the Soviet Union to take steps towards each other. This is *what I shall discuss with my* colleagues in Vilnius and then we will answer."

Moscow has brought the Lithuanian economy to its knees with a devastating two-month old energy blockade.

Mr Gorbachev told parliament yesterday that Moscow could apply further sanctions if a "political" settlement failed to materialise.

"As this means returning to Continued on Page 20

Gorbachev plan rejected, Page 2; Thatcher rules out dual membership for Germany, Page 10

Lithuanian President Vytautas Landsbergis (right) and Latvian President Arnold Runtel leave the Lithuanian mission in Moscow for talks at the Kremlin yesterday

Ryzhkov reforms set for rejection

By **Quentin Peel** in Moscow

THE Soviet parliament is set today to turn the Government's economic reform plans upside down, ordering radical institutional changes before price rises are approved, and giving President Mikhail Gorbachev the green light to denationalise state property by decree.

The move amounts to a snub, but not outright rejection, for the programme put forward by Mr Nikolai Ryzhkov, the Soviet Prime Minister, who will be ordered to come back with a raft of precise reform plans by September to replace his present cautious strategy for switching to a market economy.

The proposed resolution of the Supreme Soviet, put forward by all its main economic commitees, freezes any approval for across-the-board price rises for food and consumer goods proposed by the Government, except for a tripling of the bread price.

However, even the bread price rise seems certain to be delayed, because the deputies want full compensation to be agreed between the central governmet and all the republics. They have not accepted the idea of a national referendum on the reform package, proposing instead simply a form of national "discussion" on the compensation plans.

At the same time the resolution calls on the Government to put forward a whole complex of measures, including immediate drastic cuts in government spending on captal investment and defence, financial, credit and price reform, by September 1.

In the meantime it recommends that President Mikhail Gorbachev approve some economic reforms by presidential decree from July 1.

They would include privatisation and decentralisation of state property, creation of joint stock companies, legislation to promote the development of commercial banking, and of small businesses, and promotion of "freedom of economic activity and entrepreneurship."

The parliamentary resolution, which seems highly likely to win approval, coming from a wide range of parliamentary committees, does no more than "take note" of the original Ryzhkov plan, the lowest possible form of parliamentary approval.

It calls on the Government to approve ways of consulting the whole population on its compensation plans, and to carry out that exercise by August 20. By September 1, it should submit "a concrete programme of mutually-linked measures for the formation of the structure and mechanism of a regulated market economy."

These would include "new approaches to a financial, credit and price policy" – a clear snub to Mr Ryzhkov's existing proposals for controlled price increases – as well as "proposals for changing the system of administering the economy," and cutting the budget deficit by reducing capital expenditure defence spending and "the maintenance of the state apparatus."

Then the Government is instructed to submit draft laws, covering everything from the creation of a stock exchange to new foreign investment laws, during September and October. Continued on Page 20

SEC ban on unequal share rights rejected by US judges

By **Roderick Oram** in New York

AN attempt by the US Securities and Exchange Commission to strengthen the voting rights of shareholders was overturned yesterday by an appeals court in Washington.

It struck down a "one-share, one-vote" rule implemented by the SEC in 1988 to stop companies issuing different classes of shares with unequal voting rights.

In a unanimous verdict, the three appeals judges said the SEC had exceeded its authority by trying to regulate the way in which companies govern themselves. This was usually a subject covered by state corporation laws, not by federal securities laws, they said.

The appeal had been brought by the Business Roundtable, a lobby group for large US companies.

The SEC and leading stock exchanges affected by the ruling said they would have no comment until they had studied it.

Some 350 US public companies have issued classes of shares with unequal voting rights. The strategy has been used, for example, by founding families to keep control of *their companies after* attracting capital from outside shareholders.

It is prevalent in publishing, with newspaper owners like the New York Times and Dow Jones, publisher of the Wall Street Journal, arguing that concentration of voting power in certain classes of shares controlled by insiders helps preserve journalistic independence.

A few companies, faced by hostile takeover bids, have issued stock with enhanced voting rights to friendly shareholders.

The issue came to a head in the mid-1980s after the New York Stock Exchange sought permission to change its one-share one-vote rule, which dated back to the 1920s. The exchange wanted to accommodate the wish of General Motors to issue shares with lesser voting rights to help pay for an acquisition.

The Big Board allowed GM to list the new shares, triggering a public debate.

After extensive hearings, the SEC adopted a compromise ruling with many exemptions. Unequal share structures were allowed, for example, for companies issuing shares for the first time, and for foreign companies.

Hopes of early ERM entry boost London markets

By **Philip Stephens** and **Andrew Marshall** in London

HOPES OF full UK entry to the European Monetary System sent London's financial markets sharply higher yesterday despite Government efforts to reduce the City of London's expectations.

A report in the Financial Times that sterling's entry might be as early as September, and at a higher level than now, sent the pound to a four-month peak on its trade weighted index.

In the House of Commons, Mrs Margaret Thatcher, the Prime Minister, stuck to her Government's long-standing formula on ERM membership, saying that Britain would join only when the conditions agreed at the Madrid summit had been met.

Mr John Major, the Chancellor of the Exchequer, told the *German Chamber of Industry* and Commerce in London that "a good deal of progress has been made on a number of these conditions, but they have not yet all been met."

Senior ministers, however, confirmed that the Government was now looking at an *accelerated timetable aimed* at taking sterling into the system in the autumn. Mr Douglas Hurd, the Foreign Secretary, is particularly anxious that Britain should be a full EMS member well before European Community's planned conference on Economic and Monetary Union in December.

Sterling suffered slightly after the official statements, but finished nearly 2 cents ahead against the US currency at $1.7030 – in both London and New York – and also 3 pfennigs higher at DM2.8825. On the Bank of England's trade-weighted index against a basket of currencies, the pound closed at 90.3 – its highest since February 22 – up 0.8 on the day.

Both gilt and equity markets advanced strongly, although this in part reflected shortages of stock.

But there is widespread suspicion in financial markets of the motives behind Government statements on the EMS. Many suspect that the authorities are talking the pound up, with little intention of making Continued on Page 20

Major warning, Page 2; Walters "just good friend," Page 10; Lex, Page 20; Gilts, Page 25; London Stock Exchange, Page 33; Currencies, Page 40

Italy withdraws Venice from Expo race after political revolt

By **John Wyles** in Rome

A REVOLT by both houses of the Italian parliament has pushed the Italian government into withdrawing Venice and its surrounding Veneto region as a candidate for holding a World Exhibition in the year 2000.

The eleventh-hour decision brought joy yesterday to the large international army of artists, historians and devotees of the La Serenissima, whose warnings that the Expo would be the death of Venice have won strong support in recent months in the European Parliament and the Italian legislature. It means that the 40 countries participating in the key meeting tomorrow of the Paris-based Bureau International *des Expositions* will now have to choose only between Hanover and Toronto.

Mr Giulio Andreotti, the Prime Minister, told a meeting of Senate party leaders that Venice's candidacy would not be confirmed tomorrow. The government later released a *statement* regretting that opposition had not emerged earlier to a proposal which had matured well over a year ago.

It was not until the end of last week that a clear majority of the Senate threatened to vote against Expo in an emergency resolution to be put today, while a similar majority in the lower house, the Camera, has materialised only in the last 48 hours.

Mr Carlo Ripa de Meana, the Italian who is European Commissioner for the Environment, last night jubilantly welcomed the abandoning of "a senseless project" and called for an urgent and serious attack on Venice's problems.

Mr de Meana has ridden angrily into battle in recent months against Mr Gianni De Michelis, the Italian foreign *minister, a fellow Socialist* and a Venetian. He invented the Expo idea with the declared aim of forcing the Italian political class to find answers to Venice's declining population, pollution difficulties and frequent suffocation from tourist flows.

Mr De Michelis was apparently bowing to the inevitable on Monday evening when he told a meeting of the Venice city council that the Expo would have been "a good thing" for the city, but that "the democratic will" could not be overridden.

The minister believes that the Expo project has fallen victim to extremely misleading predictions that Venice would drown under the weight of additional tourism. But he has been guilty, along with the consortium of Italian industrial companies which backed the idea, of taking public opinion too much for granted.

According to some estimates, Mr De Michelis had been able to use his position to build up a majority among the Bureau's governments in favour of Venice.

The minister says that he has mounted no more than a normal lobbying effort comparable to the efforts of West Germany and Canada in support of their cities. He denies having using the Italian aid programme as a carrot-and-stick *in dealings with Latin American* and eastern European governments.

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Fuelling the fires of alarm in the Middle East

For all the insistence of Mr Yitzhak Shamir that his new coalition is committed to peace, its policy positions and his own statements offer precious little prospect of a softer, *gentler Israel*
Page 19

MARKETS

STERLING
New York close:
$1.7030 (1.6860)
London:
$1.7030 (1.6860)
DM2.8825 (2.8525)
FFr9.6975 (9.5975)
SFr2.4450 (2.4275)
Y263.00 (260.00)
£ Index 90.3 (89.5)

GOLD
New York: Comex Aug
$359.1 (-$0.6)
London:
$358 (+$1)

N SEA OIL (Argus)
Brent 15-day
$15.825 (15.525)

Chief price changes yesterday: Page 21

DOLLAR
New York close:
DM1.6964 (1.69265)
FFr5.7090 (5.6970)
SFr1.4383 (1.4402)
Y154.60 (154.765)
London:
DM1.6290 (1.6915)
FFr5.6960 (5.6925)
SFr1.4360 (1.4400)
Y154.45 (same)
$ Index 67.8 (67.9)
Tokyo close: Y154.40

US lunchtime rates
Fed Funds 8¾%
3-mo Treasury Bills:
yield: 7.96%
Long Bond:
103 11/32
yield: 8.48%

STOCK INDICES
FT-SE 100:
2,370.7 (+21.9)
FT Ordinary:
1,901.00 (+23.1)
FT-A All-Share:
1,168.08 (+0.9%)
FT-A World Index:

New York close
DJ Ind. Av.
2,933.42 (+40.85)
S&P Comp
361.91 (+0.28)
Tokyo: Nikkei
32,322.31 (−217.87)

LONDON MONEY
3-month Interbank:
closing 14 29/32% (15)
Life long gilt future:
Sep 84 1/16 (83 5/16)

EUROPEAN NEWS

Western allies reject Gorbachev plan on Germany

By Robert Mauthner in London and Quentin Peel in Moscow

THE Western allies yesterday quickly rejected President Mikhail Gorbachev's suggestion that a united Germany should become an "associate member" of both the North Atlantic Treaty Organisation (Nato) and the Warsaw Pact.

The Soviet leader yesterday called for a radical change in the structure and military doctrine of the North Atlantic alliance, to ease Soviet fears about a united Germany becoming a full Nato member.

He suggested once again that some form of dual membership of both Nato and the Warsaw Pact for the united Germany would be the best transitional arrangement, before the creation of new pan-European security bodies replaced the present military alliances.

US President George Bush told reporters: "Our position is well known to him, which is that a unified Germany should be in Nato with no conditions." Chancellor Helmut Kohl of West Germany and Mrs Margaret Thatcher, the British Prime Minister, also both dismissed the suggestion as unworkable.

"This is a proposal we do not consider as realistic. We reject it," Mr Kohl said bluntly, while

Stoltenberg: dissolution fear

Mrs Thatcher told parliament that she doubted very much "whether one country can be a member of two different pacts". Mr Gerhard Stoltenberg, the West German Defence Minister, last night warned against the danger of Nato's dissolution.

He told a meeting in southern Germany that Nato was "currently of only functioning security system in Europe".

Mr Bush said that the idea of dual alliance membership had been put forward by Mr Gorbachev during his summit talks with him in Washington two weeks ago, but that the US was standing by its original position that there was no alternative to a united Germany's membership of Nato.

"The more talking we do, the more convinced I am that they will see what we're proposing is more stabilising," he said. However, Mr Bush said Nato would listen to any other ideas that Mr Gorbachev was likely to float.

Mr Gorbachev, warned, in an otherwise optimistic assessment of the results of his Washington summit with President Bush, and last week's summit of Warsaw Pact leaders, that outright German membership of Nato would destabilise the European security balance.

"In that case we would have to look again at many points in the (conventional arms) talks in Vienna," he said.

Mr Gorbachev also said that the Warsaw Pact had agreed to "re-examine its very essence, in connection with the changes in Europe".

"We have the right to hope that Nato will respond in the same way. We would welcome changes in its military doctrine, engendered by the Cold War, and furthermore we would welcome this happening at the next Nato council meeting in London in June."

Supporters of Bulgaria's opposition Union of Democratic Forces demonstrating outside Sofia University yesterday against alleged government manipulation of what were billed as the country's first free elections in 58 years. The Socialist Party, formerly the Communists, appeared to be headed for a decisive win in the elections, which took place on Sunday. Victory would make them the only former Communist Party in the Soviet bloc to win a multi-party election. Some 5,000 students gathered at the university and called for a strike as they blocked the university's entrances.

Warsaw Pact necessary 'to negotiate disarmament'

By Leslie Colitt in East Berlin and Agencies

THE WARSAW Pact is disintegrating as a military alliance but should be preserved to keep the Soviet Union from becoming a dangerously isolated nuclear power, Mr Jiri Dienstbier, the Czechoslovak Foreign Minister said yesterday.

His statement came as Warsaw Pact defence ministers open a three day meeting in East Berlin today which is likely to be among their last before the military alliance becomes a political grouping.

Mr Dienstbier said that the Soviet Union has begun to relinquish military control of eastern Europe, but the Warsaw Pact still remains necessary to negotiate disarmament and move toward a new European security order.

Czechoslovakia wants to stay in the alliance and help forge an order that includes the Soviet Union, he said. "For the first time, the Warsaw Pact is useful to us. We should do everything to pull them (the Soviet Union) into Europe."

Last week's Warsaw Pact summit in Moscow signalled the intention to "transform" the union a political alliance by the end of this year.

The declaration to this effect was put forward by President Vaclav Havel of Czechoslovakia and supported by Poland and East Germany. Mr Rainer Eppelmann, the East German Defence and Disarmament Minister, predicted afterwards that the Warsaw Pact's military leadership, the United Supreme Command, would cease to exist before the year was over. East Germany would withdraw from the Pact after unification with West Germany, he said.

The seven-member Pact has been steadily drained of its military effectiveness since the collapse of communist leaderships in eastern Europe. Mr Jozsef Antall, the new conservative Hungarian Prime Minister, said recently that Hungary would withdraw at the appropriate time and Czechoslovakia expressed a similar sentiment.

Strasbourg urges tough approach in Efta talks

THE European Parliament wants the toughest possible line to be taken by the Community in talks with the European Free Trade Association, which start tomorrow in Gothenburg, Lucy Kellaway writes from Brussels.

It said that any agreement on a European Economic Space (EES) should require Efta to comply with EC legislation as soon as possible and with no exceptions.

The Parliament also expressed its frustration at the rejection of its call for a larger role in the talks for it and for the parliaments of the Efta countries.

Mr Frans Andriessen, the EC Commissioner for external affairs, tried to reassure MEPs that exceptions would be kept to a minimum, although he added that some special cases would be unavoidable. However, he held out no hope for Parliament to play a direct part in the negotiations, but promised that the Commission would continue to keep MEPs informed.

Although Parliament supported the creation of an EES, some MEPs warned that the negotiations could divert attention from the single market. They argued for the need for new bodies to ensure that Efta countries complied with EC rules, and to solve any disputes that came up.

■ The proposed EES must have a strong social dimension, it was agreed yesterday by a meeting of the EC's Economic and Social Committee and its equivalent in Efta, Robert Taylor writes from Gothenburg.

Both sides also called for the creation of a joint EC/Efta consultative body.

W German industry's failure to invest in the east criticised

By David Goodhart in Bonn

WEST GERMAN industry's apparent reluctance to invest on a large scale in East Germany was yesterday sharply criticised by Mr Helmut Haussmann, the West German Economics Minister.

Addressing the 1,200 delegates at the annual meeting of the Federation of German Industry (BDI) Mr Haussmann said: "I observe with anxiety the declining readiness to take personal control and risk, to make courageous, job-creating, investment decisions in East Germany."

He condemned "the small-minded doubters, the subsidy seekers and the book-keepers" who have come to dominate the debate about East Germany and pleaded with West German business to go and invest in the country and in the rest of eastern Europe.

On the positive side he said that merely the repurchase of small companies forcibly nationalised in 1972 in East Germany was creating a new group of self-employed, 100,000-strong, which would form the basis of a job-creating East German Mittelstand.

He also welcomed the reorganisation of the Treuhandanstalt, the trust body which owns most of East German industry, passed by the East German cabinet on June 6. The reorganisation brings the trust directly under the prime minister's control and gives it an executive board of five and an advisory council of 15 members.

Mr Haussmann and West German business leaders hope that it will help speed up privatisation. The economics minister also welcomed the decision to hand over to East German companies ownership of their own land which will increase their creditworthiness.

Mr Tyll Necker, the BDI president, also warned against business pessimism towards East Germany. He expressed some fears, too, over surrounding the East German economy with too many protective barriers during the transitional phase to a market economy. "Import quotas and taxes will only promote shopping in the west and smuggling," he said.

In addition to import controls and investment incentives East German business is still pressing for a complete waiving of its corporate debt. Bonn remains opposed to such a move but it appears that there will be flexibility in extreme cases.

● The restructuring of the East German energy sector will take 10 years and cost DM50bn ($29.6bn) according to Mr Uwe Pautz, a state secretary in the East Berlin Environment Ministry. Economic union on July 1 will mean the end of East Germany as a cheap energy country and the average household can expect to pay DM110 per month more for energy.

Eurofer complains to Brussels

By Tim Dickson in Brussels

EUROFER, the club of big integrated steelmakers, has accused Egypt, Argentina, Yugoslavia, Trinidad and Tobago and Turkey of dumping quantities of wire rod on the European market.

In an anti-dumping complaint to the European Commission Eurofer says imports from these countries increased from 60,000 tonnes in 1986 to about 500,000 tonnes in 1989. Their share of the Community market, meanwhile, jumped from below 1 per cent to 11 per cent over the same period "due to their unfair practices."

Alleged dumping margins of the five countries range from 12 per cent in the case of Trinidad and Tobago to 56 per cent in the case of Argentina.

Eurofer says it has asked Brussels to intervene "urgently," given that during the first four months of the year the importers between them requested licences for 100,000 tonnes for the German market, while during the first two months Yugoslavia requested licences for 93,000 tonnes for Italy.

Kohl and Mandela meet

MR Nelson Mandela, ANC Deputy President, said yesterday after a meeting with Mr Helmut Kohl, the West German Chancellor, that Mr Kohl might be prepared to abandon his support for a review of existing EC sanctions against South Africa writes David Goodhart in Bonn.

Mr Mandela, who strongly opposes any relaxation of sanctions, is in West Germany, South Africa's biggest trading partner, as part of a six week tour of Europe and North America. He said that Mr Hans-Dietrich Genscher, West German Foreign Minister, supported his position and that Mr Kohl, who has always had doubts about the merits of sanctions, "might be prepared to reconsider his stance."

World airline profits hit by high costs

WORLD airline profits declined by 23.5 per cent last year because of higher fuel and labour costs, Paul Betts, Aerospace Correspondent, writes.

Operating profits before interest charges on international scheduled services fell to $2.6bn (£1.53bn) last year from $3.4bn in 1988, the International Air Transport Association (IATA) reported in Geneva yesterday.

It blamed the earnings decline essentially on higher fuel costs which account for about 15 per cent of the total operating costs of international airlines. Rising labour costs also hit profits. Mr Neil Gleeson, IATA's managing director, described last year's earnings as "pretty minuscule" compared with the overall turnover and investment costs.

Annual operating revenues of IATA airlines from international services exceed $60bn. Airlines are also committed to huge investments to renew and expand fleets. They are expected to spend a total of about $500bn over the next 15 years to acquire new aircraft.

Major warns against rapid move to EMU

MR John Major, UK Chancellor, yesterday outlined an evolutionary path towards European Monetary Union, writes Andrew Marshall.

In a speech to the German Chamber of Commerce and Industry in London he warned of the dangers of rapid transition towards EMU, but outlined safeguards to ensure more steady progress.

Mr Major detailed an approach to Stage 1 of the Delors Report, a blueprint for EMU. During this open-ended period, the economic policies of EC countries would be brought closer together, to increase "economic cohesion".

But Mr Major also said that this process could continue into Stage 2, when institutional development of full union begins. "To make safe and secure progress, we must look for evolutionary arrangements which move forward beyond Stage 1, while allowing the process of economic convergence to continue, he said. Mr Major suggested three elements to such an arrangement:

■ Currency stability and convergence on low inflation, through a surveillance process and co-ordination of monetary policies.

■ "Closer co-ordination of exchange rate policy and intervention against external currencies, notably the dollar and the yen.

■ Promoting the use of the Ecu.

Other EC countries have suggested that after Stage 1 is complete, speedy progress towards union would be possible. But, Mr Major said that "a rapid jump forward would be highly risky".

Mr Major also underlined the UK's doubts about the Eurofed, the proposed European central bank.

"An independent Central Bank does not seem to us the right body to exercise ultimate control of monetary policy," he said. "If it is independent, how can it be accountable? If it is to be accountable, how can it be independent?"

The practical issues of Stage 1, and not the later stages of EMU, should be discussed when heads of government meet to discuss EMU in December, he said.

Pöhl pronouncements leave EC guessing

By Peter Norman, Economics Correspondent

MR Karl Otto Pöhl, president of the West German Bundesbank, is a master of delphic utterances.

So when he emerged from Monday's meeting of European Community economic and finance ministers in Luxembourg talking about the possibility of a two-speed EC monetary union, it was only natural that a game of "hunt the subtext" should start in Community capitals.

A straw poll of officials who had either taken part in the meeting or talked with participants suggested that Mr Pöhl's remarks to the ministers were rather less dramatic than yesterday's newspaper headlines.

One EC Commission official understood the Bundesbank president to have suggested that perhaps Portugal or Greece, rather than Britain, would not be ready to join the projected European system of central banks in its early stages. Such thoughts are not exactly new.

But Mr Pöhl has been long enough on the Community stage to know that any hint of "two-speed Europe" touches a raw nerve. It encapsulates the debates of the 1970s and 1980s, when the original six members of the Community underwent the difficult process of adjusting to the EC's growth into a more diverse community of 12 nations, including Britain.

The frustration experienced by both the original core of Community countries and the newcomers was often expressed in plans for a two-speed Europe.

The speed with which the debate over EC economic and monetary union has advanced on the continent over the past two years now makes talk of a two-speed EMU appear plausible.

There is a strong feeling in the central banks and finance ministries of West Germany, France and the Benelux countries that these five "core" members of the European Monetary System could already move swiftly to having a common central bank and currency.

The Belgian Government, for example, has already agreed in principle to tie the Belgian franc more closely to the D-Mark than through the existing rules of the EMS.

As West Germany's inflation rate has crept upwards in recent months, both The Netherlands and France have boasted more stable prices than Germany.

Ironically, Mr Pöhl's remarks could well have struck a sympathetic chord among some of those close to Mrs Margaret Thatcher, the UK prime minister.

Only last week her friend, Mr Nicholas Ridley, the Trade and Industry Secretary, outlined his vision of a wider European Community in which member states could choose the extent to which they joined in monetary union.

He also made clear that he did not think EMU was the way forward for Britain. EMU was a "strait-jacket," Mr Ridley said, while the EMS exchange rate mechanism was more flexible; a "waistcoat, which has large room for expansion by loosening the strap at the back."

Mr Ridley's views are thought not to be those of the British Cabinet, where advocates of a cautious progress towards EMU appear to be gaining the upper hand. But for committed Europeans in the EC Commission, Mr Pöhl's remarks in Luxembourg conjured up the picture of an unholy alliance in favour of a two-speed Europe; with the Bundesbank on the one hand and those in Britain opposed to greater institutional integration in the EC on the other.

Such a two-speed approach would undermine efforts of the Commission over the past two decades to keep all EC members moving towards a more integrated Community, while accepting that transitional rules and temporary exemptions have to be tolerated in specific instances to cope with differing stages of economic development among member states.

Mr Pöhl's remarks were also further proof that the Bundesbank will not stand in the way of EMU. But the West German central bank yesterday hesitated to provide any further insights into what lay at the back of its president's mind.

For that we will have to wait until July 2, when Mr Pöhl is due to give an important lecture, updating his thoughts on EMU, in London.

Iberia condemns US ruling

IBERIA, Spain's state-owned airline, condemned a decision by the US Department of Transport to exclude it from computer booking systems in the US and said it would take its case to court, Reuter reports from Madrid.

"The decision is scandalous and an example of blatant partiality towards a US airline," an Iberia official said.

The ruling, made on Friday, upheld a complaint by American Airlines against Iberia on March 15 for withdrawing from its Sabre booking system, a decision the Spanish airline made effective from June 12.

Iberia in turn had filed a complaint with the department against American Airlines alleging unfair competition in the Spanish market by making Sabre available to travel agents at no cost providing they guaranteed a minimum volume of bookings.

Iberia alleged that since the Dallas-based airline was charging it $2 per ticket commission on Sabre bookings made on its aircraft it was essentially subsidising American Airlines' expansion in Spain.

The department rejected this and said that by pulling out of Sabre it was affecting American Airlines' trade in Spain. It added that in the absence of a solution to the dispute by June 20 Iberia would be excluded from the other three booking systems in which it participates in the US.

The ruling, if confirmed, could affect up to 20 per cent of Iberia's passenger traffic to the US. Iberia, which last year carried 13.9m passengers and is one of Europe's top five airlines, sees the decision as an opening salvo in a forthcoming war with US airlines.

An Iberia official said the airline would not change its position during the 12-day breathing space.

All the elements of an industrial failure

The East German chemicals industry is almost beyond salvaging, writes Peter Marsh

DR Jürgen Dassler, director of the Leuna chemicals complex, sits in his spacious office near Leipzig and contemplates the future with a worried frown. "It will be very complicated." he says. "We have too many old technologies."

The ramshackle plant, the biggest in the East German chemicals industry, illustrates many of the economic problems that will face the country after unification.

Leuna is one of 15 *kombinate* (state holding companies) which make up East Germany's chemicals industry, the eighth biggest in the world and, in eastern Europe, second only to the Soviet Union. The industry employs 300,000 people and last year had sales of about 100bn Marks (£35bn, at the new exchange rate).

The industry has close past links with powerful West German chemicals companies such as BASF, Bayer and Hoechst, which owned large parts of it until the end of the Second World War.

Originally part of BASF, Leuna dates from 1916. Today it is well past its prime. Years of under-investment have rendered much of its manufacturing equipment rusting and obsolete. The plants are linked by 400 miles of pipework, all of which, managers say, needs replacing.

A drive around the seven-square-mile complex reveals near-dereliction, with steam hissing from leaks in pipework, ruined buildings, and a strange concrete structure that turns out to be a half-finished restaurant for Leuna's 27,000 workers. A third of them are engaged in full-time maintenance.

THE CHALLENGE OF UNITY

The list of problems facing Leuna – and much of the East German chemicals industry – include:

● Lack of investment. Dr Dassler says Leuna has been receiving only a third of the investment it has needed. Almost all its production equipment is at least 15 years old – ancient by western standards. Dr Dassler, who thinks modernisation will require "billions of D-Marks", hopes to get at least some of the money from joint ventures with western companies.

Talks have already opened with groups including Britain's BP, Rhône-Poulenc of France and Mitsui of Japan. But West German companies have so far shown little interest.

● Quality of managers and workforce. Leuna, which in the past simply filled production quotas set by the government, is having to build a marketing department and accounting systems from scratch.

Though average pay, about 1,000 Marks a month, is much lower than in West Germany, Leuna is heavily overmanned. Dr Dassler says 7,000 workers there could lose their jobs in the next few years. Little sophisticated research and development is done at Leuna.

● Currency. Mr Johannes Schmidt-Tophof of the Wiesbaden office of consultants Arthur D. Little says: "On the cost side they (the East German industry) will need hard currency to improve their plants but on the income side they are used only to soft currency. It will be a big problem."

Roughly 20 per cent of Leuna's sales of 12bn Marks last year was exported to western countries such as France, Belgium and West Germany and paid for in hard currency. Another 10 per cent went to other east European nations.

● Product quality. Leuna makes about 500 different chemicals, including plastics, petrol, inorganic materials such as ammonia and industrial and household chemicals. Dr Dassler hopes to use new investment to raise product quality and prices to compete on world markets.

One London chemicals trader says: "In the 1970s product quality in the East German industry was very low and it sold simply on low price. In the past decade quality and consistency has improved notably. It may sound silly but their main problem is presentation and marketing. They don't use the right kind of packaging to make their products look attractive to the average industrial buyer."

● Pollution. Dr Dassler admits pollution at Leuna is "very dramatic". The River Saale which flows through the plant is polluted with ammonia discharges and other chemicals. Cleaning-up promises to be an immense job and is one reason why many western companies which had investments in East Germany are hardly clamouring to return.

● Legal problems. Even if western companies replaced existing East German plants with completely new ones, they could face legal claims from workers and residents for past damage to their health.

Another problem is uncertainty about property ownership. "How can you be sure if you buy a company in East Germany that it owns its land?" asks Dr Guiseppe Vita, chairman of Schering, which ran several chemicals plants in eastern Germany before the war. Chemicals companies which might be interested in investing in East Germany are also worried about how freely they could lay off surplus workers.

● Raw materials. Leuna, like much of the East German industry, depends heavily on locally-mined lignite (brown coal) and oil and gas brought by pipeline from the Soviet Union. There are question marks over all these materals. Lignite produces much pollution in the form of sulphur dioxide, while the east European trading bloc Comecon's planned switch to hard-currency trade is expected to make Soviet oil and gas supplies dearer and scarcer. Dr Dassler wants to explore alternatives, such as connecting Leuna to a gas pipeline which BASF plans to lay across central Germany.

Much of the future for the chemicals sector in East Germany is likely to depend on big West German companies. But their interest so far is lukewarm and limited mainly to marketing ventures. Almost all of them think they could supply most of the East German market for chemicals from their plants west of the Elbe.

None the less, Bonn is widely expected to press West German chemical companies to do more to help. Some observers think they may agree only if the West German Government relaxes some of its tough laws on pollution control and on pharmaceutical prices.

Spain's anti-inflation policy pays dividends

By Peter Bruce in Madrid

ALMOST A year after taking the peseta into the exchange rate mechanism of the European Monetary System to inject greater anti-inflationary discipline into the economy, the Spanish government is beginning to taste the fruits of success.

It announced yesterday that consumer prices remained constant in May.

The performance, the best in 18 months, means prices have risen 2.2 per cent so far this year. Annualised inflation fell from 7 per cent to 6.8 per cent, leading some analysts to strengthen predictions that domestic interest will soon begin to fall.

The Finance Ministry said food prices had fallen by almost a full percentage point during May, which would bear out hopes that the strength of the peseta since it joined the ERM last June would begin to cheapen imported foodstuffs.

The ministry said the underlying rate of inflation, which has fallen steadily since last November, rose slightly in May to an annual rate of 6.7 per cent.

Coming a day after unemployment figures for May showed the number of jobless down nearly 53,000 to 15.55 per cent of the workforce – the lowest level since 1983 – the latest inflation figures are an important political boost for the Socialist Government, which is campaigning hard to retain control of the large province of Andalucia in elections there on June 23.

Although both the April and May inflation figures will have buoyed the government, falls in interest rates are by no means certain.

The Bank of Spain insists that it is not uncomfortable with the peseta trading near the top of its 6 per cent fluctuation band against some EMS currencies, notably the French franc, and that the supply of money is still growing too quickly.

Moreover, the government of the Prime Minister, Mr Felipe González, is warning that it may even have to toughen a very strict credit squeeze, which was imposed last year, if the current round of talks with the trade unions on pay are not successful.

Spanish pay deals are settling at well over 8 per cent this year.

The government is trying to win agreement on a "competitiveness pact" – really a disguised wages pact – under which any pay increases over the rate of inflation are met with increases in productivity.

The issue is complicated as both the government and the Bank of Spain are also pressing employers to establish as yet undefined investment funds in which to channel part of their profits.

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WORLD TRADE NEWS

Financing for Soviet deal with John Brown 'ready at year-end'

By Peter Montagnon, World Trade Editor

FINANCING for the $400m-$500m (£236m-£295m) ethylene joint venture between John Brown of the UK and the Soviet Union's Gasprom agency will not be ready until late this year or even early 1991, Soviet finance specialists said yesterday.

Morgan Grenfell, the UK merchant bank which has the mandate to arrange the deal, declined to comment even on the amounts it expected to raise in the market, but bankers familiar with Soviet project finance said a long lead-time could be expected, especially given current market conditions.

Even the $330m loan to finance the modernisation by John Brown of a polyethylene plant at Buddyenovsk in the South Russian province of Stavropol took just over a year to prepare before it was signed in May last year. Morgan Grenfell also arranged that loan, which called for lenders to be repaid out of the sales of polyethylene and is regarded as a model for large-scale project financing in the Soviet Union.

When it finally appears, the new loan is likely to involve a substantial measure of self-financing for the John Brown/Gasprom venture. The two enterprises aim to build an ethylene and polyethylene plant at Novi Urengoi in western Siberia.

Bankers said Morgan Grenfell is also likely to look for substantial backing from western export credit agencies to support the deal.

Without such self-financing and official support it would be difficult to syndicate a large loan for the Soviet Union in a banking market which remains concerned about late payments for Soviet imports.

By the time the new deal emerges, the hope is that the market situation will have improved as the Soviet authorities have undertaken to erase the delays by the third quarter of this year.

Slow payers spoil fun of Kiev fair

Confidence in Soviet ventures is shaky, writes Charles Leadbeater

MR NICK Applegarth was the most envied man in the seedy bar of the Hotel Dniepro in Kiev last Saturday. The manager of Case Communication's operations in eastern Europe had just been told the company had been paid £900,000 for one of its recent contracts in the Soviet Union.

Case, part of the Dowty Group, was virtually alone among the UK companies gathered for the British industry trade fair which had been paid in recent weeks.

Rumours and horror stories about the difficulties of Soviet late payments were rife, casting a shadow over plans for joint ventures. But assessments of the impact of the payments hiatus differ markedly.

Mr Richard Coles, who heads the Soviet operations of Midland Montague, the merchant bank, believes the payments delays could permanently undermine the confidence of western investors unless it is resolved soon.

Mr Robert Scallon, director of Barclays Bank's east European export and projects department is confident a solution will soon be found. The payments delays will not dim the allure of the big Soviet market, he says.

Courtaulds, the textile and chemicals group, which first noticed in February that payments were coming in late, has been one of the worst hit. It is owed a substantial amount, thought to be more than £5m, with much of the money outstanding for five months. The lack of hard currency has delayed deals to build two acrylic fibre plants. If the agreements are not signed soon they will be put on ice.

Mr David Thompson, chairman of Rank Xerox the photocopier company, which is owed £4m, said: "Six months ago these people were the best in the world. They paid promptly without any disputes."

Imperial Chemical Industries, is owed about £1m, a sum which does not compare with the amounts owed to its West German competitors such as Bayer and BASF.

Yet the payments delays do not seem to have altered British companies' approaches to the Soviet market. The cautious have been made a little more wary, the bullish are only marginally less enthusiastic.

Allied-Lyons, the food group, which has some late payments on an ice cream project in Moscow, is hoping to secure a Ukrainian joint venture which could make juice and fruit products for the Soviet market and for export.

Mr Allan Gormly, managing director of John Brown, which last weekend signed a joint venture to build a polyethylene plant, stresses the importance of getting to know partners well enough to assess their creditworthiness. There are no credit rating agencies or published accounts to help. "Some of the companies in trouble have been less than prudent about who they are doing business with," he said.

Courtaulds is now being much more cautious. It will only make sales when they are backed by a letter of credit. It attributes the crisis to the Foreign Economic Bank, which is fighting to maintain its monopoly on foreign exchange dealings. It apparently decided to refuse hard currency to enterprises which had signed deals without its permission. The crisis may be more a product of the bank's reassertion of its authority than anything deeper.

Rank Xerox, which is confidently planning a series of joint ventures including an assembly plant, is projecting a fourfold growth in copier sales by 1995. There are only about 40 copiers per million people in the Soviet Union compared with 300 per million in Latin America where gross domestic product per head is about the same.

Mr Thompson is confident the company will not be affected as it plans to take its profits from the price of the kit it supplies to its Soviet partners.

However even the most carefully laid plans can come unstuck as the experience of one of the most prestigious British joint ventures shows. The Femtech venture outside Kiev, created by Tambrands, the tampon manufacturer, is one of the few to start manufacturing.

It got a special dispensation to take its profits out in the form of cotton, which was supplied to its west European plants. However, in April, the law on joint ventures was suddenly changed and exports of cotton were banned. For three months the company has been accumulating a largely useless mountain of roubles.

Mr Gary West, the plant director, says the company still plans a second plant with 20 production lines capable of supplying about 20 per cent of the Soviet tampon market. The company is hoping it will be able to get round the ban – which stipulates that joint ventures have to add value to a product – by bleaching the cotton. Last week it managed to get its first shipment out for several months.

But he added ruefully: "There is no guarantee of a stable political environment here and without stability there will be no business confidence."

Hungary switches trade from Comecon to west

By David Buchan and Nicholas Denton in Budapest

HUNGARY will reach an historic mark this year when its trade with the European Community exceeds for the first time that with its Comecon partners, according to Mr Bela Kadar, the new Minister for International Economic Relations.

He revealed that trade with the Soviet Union and other east European countries was collapsing even faster than expected as tit-for-tat export cuts and the Soviet economic crisis grow.

Hungarian exports to Comecon fell in the first five months of this year by 31 per cent from the same period in 1989 while hard-currency-earning exports rose by 19 per cent.

Speaking on the eve of the summit of European Free Trade Association (Efta) leaders in Gothenburg, Sweden, at which he and his Polish and Czechoslovak counterparts will sign co-operation agreements, Mr Kadar made clear that an export drive to the west was essential to compensate for the faster-than-expected contraction of his country's eastern commerce.

Senior Hungarian trade officials hope to negotiate parallel free-trade agreements with both Efta and the EC. Mr Peter Balazs, director-general of the Ministry of International Economic Relations, stressed Hungary's need for a long transition to protect its vulnerable sectors, hitherto dependent on the Comecon market.

"Hungary needs more or less a decade to reciprocate free trade," said Mr Balazs, indicating that more ambitious goals such as membership of the EC or EFTA were even further off.

Hungary has rejected as "untimely" last week's suggestion by Poland that the two countries join in a payments union with Czechoslovakia to keep current levels of trade. Budapest is more concerned about forthcoming talks with Moscow on how quickly they should move from barter trade when dollar accounting comes in next year.

One reason is that most of Comecon's trade is with the Soviet Union. Another, Mr Balazs said, was the common reaction of Hungarian officials who ask: "Why should we finance all the troubles of Poland in the framework of co-operation?"

He predicted Hungary's East Bloc trade could fall to half its 1980s level before stabilising. Asked whether Hungarian companies faced with this might not be tempted to sell at any price in western markets, Mr Kadar said that, after subsidy cuts, "those who dump would go bankrupt".

Trade talks split over right of banks to operate abroad

By William Dullforce in Geneva

THE RIGHT of banks and financial operators to establish an office or a subsidiary in another country has emerged as a sharply-divisive issue in talks in Geneva on how to bring financial services under the umbrella of a General Agreement on Trade in Services (Gats).

The big trading powers, led by the US, which have been pushing for the liberalisation of the fast-expanding $600bn (£355.03bn)-a-year trade in services, consider that access to other countries' financial markets should be enshrined as a fundamental obligation under the agreement expected to result from the trade-liberalising Uruguay Round.

However, several developing countries, notably India, Brazil and Egypt, insisted yesterday that the right of establishment should be subject to negotiation and not become an obligation.

Establishment was only one of several points, on which opinions diverged, during the first two days of a four-day meeting of the working group set up to determine the special characteristics of financial services which might call for a separate agreement under Gats.

Gats would provide a framework of general principles to be applied to all trade in services similar to that provided by the General Agreement on Tariffs and Trade (Gatt) for trade in goods.

The US in particular has been calling for financial services to be handled as an annex to the Gats.

This is principally because the US Treasury argues that this is necessary to ensure that governments can maintain adequate prudential controls over banks and finance companies operating on a liberalised, global market.

Some 45 delegations, most of them buttressed by officials from their finance ministries, are discussing a broad range of issues regarded as peculiar to financial services.

In addition to the right of establishment and prudential control, they include the scope of liberalisation for cross-border financial services provided without establishment, and the right of temporary entry to a country for personnel that are essential to provide the service.

National treatment – one of the principles to be embodied in Gats – is another matter on which approaches diverge.

Many developing countries want to apply to financial services the traditional Gatt definition of national treatment – that one country should accord to the institutions of another, treatment "no less favourable" than that accorded to *its own* institutions.

The US and Canada argue that under this definition, *de jure* national treatment would not prevent *de facto* discrimination.

They refer to interest-rate controls that restrict foreign banks, and to barriers to new players in markets where only domestic institutions operate at present.

National treatment, in the view of the North Americans, should provide foreigners with "equality of competitive opportunity" compared with domestic practitioners or the "equivalent treatment" recently adopted as an obligation in an addition to the OECD Invisibles Code.

These two approaches, it is argued, focus on the *effects* of national regulations on the competitive ability of foreign financial institutions, whereas the traditional Gatt definition simply compares the treatments *offered* to foreign and domestic practitioners.

The only near-certainty emerging from the working group's initial deliberations is that there will have to be a special agreement in some form on financial services.

Minister urges South Korea to invest more in Australia

By John Ridding in Seoul

MR GARETH Evans, Australian Minister for Foreign Affairs and Trade, yesterday called for increased South Korean direct investment in Australia.

Speaking during a three-day visit to Seoul, Mr Evans said there were good investment opportunities in minerals processing, car components, textiles and food processing.

He stressed Australia's commitment to the Asia-Pacific region, which he said was the world's most dynamic area, and called for greater regional economic integration through development of APEC (Asia Pacific Economic Co-operation), a 12-member grouping launched last year.

But little progress was made in resolving outstanding bilateral trade issues. South Korea has demanded Australia remove quotas on textile, clothing and footwear imports and that the 40 per cent tariff on car imports be lowered.

Mr Evans said all quotas would be removed by 1995 and the Australian Government was reviewing protection of the car industry. The bilateral trade imbalance, which last year totalled $1.24bn (£730m) in Australia's favour, had been narrowing in recent years.

Substantial barriers existed in the Korean market with regard to farm products and the service sector. But Mr Evans welcomed the recent agreement on access for Australian beef, as "the first important step in Korea's undertaking to eliminate its remaining import restrictions on beef".

US computer groups 'uncover software counterfeiting ring'

By Louise Kehoe in San Francisco

A US-based software counterfeiting ring that allegedly produced more than 30,000 illegal copies of MS-DOS, the popular personal computer-operating system program published by Microsoft has been uncovered by an investigation led by Microsoft and Everex Systems, a California personal computer manufacturer, the companies said.

Microsoft, the leading personal computer software publisher, said it had helped US authorities find the "software pirates" and had filed joint suits, with Everex, against 10 individuals and six companies in New Jersey and northern California.

Microsoft and other US software companies have filed dozens of suits against alleged copiers of their programs in Europe, Asia and the US in the past year. "We will not tolerate infringement of our intellectual property rights or rights of our licensees," Mr William Neukom, Microsoft's vice-president, said.

AMERICAN NEWS

Japan set to take lead in electronics, says US study

By Peter Riddell, US Editor, in Washington

JAPAN is set to take over from the US as the world's leading electronics producer and trader in the next few years if relative growth rates continue, according to a Commerce Department study critical of the record of the federal Government.

The 221-page report has been seized upon by leading Democratic, business and academic advocates of greater government involvement in industry.

The Commerce Department says in the preface that the report represents its views but does not necessarily reflect those of the Administration and has not received inter-agency clearance. Senior officials in the White House have resisted calls for an industrial policy and calls by the department to back particular sectors.

This and other recent reports warning of the challenge to the US's competitive position in new technologies were highlighted yesterday by Rebuild America, a lobbying group calling for a more active industrial policy. In a pamphlet entitled Fiddling while US Industry Burns, the group attacked the "troika" of Mr John Sununu, the White House Chief of Staff, Mr Michael Boskin, chairman of the council of economic advisers, and Mr Richard Darman, budget director.

Mr Lester Thurow, dean of the Massachusetts Institute of Technology's School of Management, argued on behalf of Rebuild America that the Commerce Department's reports "clearly repudiate the troika's ideologically driven efforts to block government support for electronics and other leading-edge industries."

The Commerce Department report notes that, "in contrast to foreign governments, the US government has not had a co-ordinated set of policies directed to this sector. In general, the US has followed an ad hoc approach, the effect of which has been to place the US electronics sector at a competitive disadvantage vis-à-vis some of its foreign competitors."

US suppliers of a broad range of products, from silicon wafers and memory chips to computer displays and telecommunications network switches, have seen their worldwide market shares rapidly decline. "The situation is even bleak for some of the newest technologies: X-ray lithography, optical storage devices and flat panel displays."

The report concludes that US leadership in electronics "may very well be eclipsed unless continued tenacity by the US private sector is accompanied by a higher degree of consensus within the industry and improved co-ordination with academic, federal, state and local governments."

In particular, the report highlights the drop in the share of US companies in electronic patents, which is "reflected in the declining capabilities of US firms relative to the Japanese in the research and development phases of bringing key electronic technologies to market."

Fujimori to make new debt plans for Peru

By Robert Graham in Lima

MR Alberto Fujimori, Peru's president-elect, is expected to distance himself from the country's current debt strategy when he takes office on July 28.

Mr Fujimori and his advisers are understood to be anxious to rejoin the international financial system. The future president is already planning a visit to Europe, Japan and the US, where one of his main objectives will be discussing Peru's external finances.

During the past five years of President Alan Garcia's administration, Peru's relations with the international financial community have deteriorated close to the point of expulsion from the International Monetary Fund. A group of banks has begun a New York court case against Peru seeking immediate payment of $2bn.

Mr Fujimori's economic advisers indicated that Peru would rejoin the international financial system in stages. Peru has accumulated arrears of $9bn, of which some $2.5bn is owed to multilateral agencies. The first step would be to tackle arrears with the IMF, the World Bank and the Inter-American Development Bank.

Peru has accumulated arrears of $800m owed to the Fund; but since last December, it has made all current payments due since November 1989. This has ensured that Peru is not declared to be not co-operating. Another meeting is due between Peru and the Fund on June 20, when Peruvian officials are expected to press for a three-month postponement of any decision that would prejudice the incoming government.

Baker concedes pressure on treaty

THE Bush Administration yesterday formally conceded for the first time that the recently signed US-Soviet trade treaty would not be approved by Congress until the Lithuanian crisis eased, Peter Riddell writes.

Until now the Administration's sole formal pre-condition for the trade deal has been the passage of a Soviet law codifying and liberalising emigration, and it has publicly fudged the Lithuanian issue.

In testimony yesterday to the Senate Foreign Relations Committee, Mr James Baker, the US Secretary of State, acknowledged: "We do not believe that Congress will approve the commercial agreement until the deadlock over Lithuania is broken. That is a fact of political life."

Mr Baker also expressed concern about Soviet support for Cuba and Cuban backing for the rebels in El Salvador. "Continued Soviet military assistance for Cuba is a striking exception to the Soviet Union's new thinking on regional issues."

Mr Baker described as "falling short of the mark" the actions and "public and private responses" of the Palestine Liberation Organisation following the abortive attack by a terrorist group on Israeli beaches two weeks ago.

But he told the committee that the US had not yet made any decision on whether to cut off the 18-month old dialogue with the PLO. "We want to weigh matters carefully and do so without the pressure of artificial deadlines," he said, noting that any suspension of talks would have far-reaching ramifications on Middle East peace efforts.

High cost of getting tough on tankers

David Thomas and Peter Riddell on oil spills and burning questions

Smoke from the stricken Mega Borg supertanker drifts to 7,000ft above the Texas coast

THE COINCIDENCE of a blazing supertanker drifting in the Gulf of Mexico and Shell's decision to suspend crude oil shipments to dozens of US ports has highlighted one question: how tough is the US prepared to be on the oil business in the name of the environment?

For Shell's decision was indeed coincidence. Although announced only on Monday, just when the Norwegian tanker Mega Borg and its 38m gallons of crude threatened to burn out of control, the Shell decision had been long in the making.

The Anglo-Dutch oil company began to ponder the vulnerability of its shipping operations in the US after the Exxon Valdez spilt 11m gallons of oil off Alaska last year. Its resolve to suspend the use of its own ships in almost all US waters hardened as Exxon's clean-up costs spiralled above the $2bn mark.

Mr Ian McGrath, managing director of Shell International Marine, the group's shipping subsidiary, explained that Shell had tried and failed to find insurers to cover pollution risks of more than $1bn.

The US poses particular problems for the oil business because – unlike most other industrialised countries – it has not ratified International Maritime Organisation conventions which limit the liability of tanker operators and oil companies to claims for pollution damage. These conventions restrict total liability to about $80m in most cases.

In the wake of the Exxon Valdez disaster, the London-based Protection and Indemnity clubs (P&I), which provide liability insurance for oil tankers not least for spills in countries that have not ratified the IMO convention, increased their standard maximum insurance cover to $500m, with an extra $200m tranche available on top. But both the insurance companies and the tanker operators argue that the mish-mash of federal and state laws in the US opens up tanker operators to unlimited liability claims.

Measures dealing with oil pollution liability were at the heart of oil spill legislation introduced into the US Congress after Exxon Valdez. The legislation is stalled because of disagreements over the scale of liabilities for oil companies and over requirements for double-hull tankers.

The Senate approved a bill last August and the House of Representatives passed a slightly different version in November, but a joint conference has not been able to agree a compromise. This has created uncertainty both for the oil industry and for the US Coast Guard and others trying to prepare plans on how to cope with large spills.

The legislation would establish 10 main bases for Coast Guard response teams around the US and would require vessel operators and companies to prepare plans for handling the worst possible spill without government assistance.

Under the proposals federal liability limits would be raised substantially – more than seven-fold, on one plan – and a trust fund to provide $1bn per spill would be set up with revenues from a five-cent-a-barrel oil tax.

At the same time, some states are planning their own oil tax provisions. California's voters are to be asked in a "Big Green" referendum in November to impose a 25c-a-barrel tax on oil passing through the state which would go towards a $500m spill fund.

The oil companies and the insurance industry want a provision that limits further liability claims resulting from companies' good-faith efforts to clean up, especially given the scope for states to seek higher damage awards than those allowed by federal law.

Calls for the US to ratify IMO conventions setting uniform liability limits, with an insurance fund to pay for spills, were renewed yesterday.

"This underlines the necessity for the US as soon as possible to ratify the international treaties on compensation and liability for oil pollution," said Mr Kristian Fuglesang of the Oslo-based International Association of Independent Tanker Owners, which claims to represent more than half the world tanker fleet.

This warning was echoed yesterday by Exxon, the largest US oil company, although Exxon said that it had no plans to restrict use of vessels owned or managed by its tanker affiliates for shipments to US ports.

The legislation logjam in the Congress requires resolution not just of the liability issue, but also of the across-the-board proposals for double-hulled tankers. The oil industry, and its influential congressional supporters, are trying to modify these proposals. They are concentrating on the timetable for changing over to double hulls and seeking concessions to allow tankers with single hulls to operate into the next century.

Meanwhile, Shell's Mr McGrath said: "If more shippers took the same view as we do, a situation could arise where the ships available to the US would not be of the same high standard."

Thus legislation designed to crack the environmental whip over the oil companies could result in even more spills around the US coast.

'Degradable' bag claim misleading, allege state attorneys

By Karen Zagor in New York

THE state attorneys of seven US states yesterday filed lawsuits charging Mobil Chemical with deceptive advertising and consumer fraud for claims that its Hefty line of rubbish bags are "degradable".

The attorneys, led by Mr Hubert Humphrey of Minnesota, allege that Mobil misled consumers into believing that the so-called "degradable" bags would break down when thrown out with household rubbish.

The issue could have far-reaching consequences for industry because the growing number of consumers who choose products based on whether a product is deemed degradable, recyclable or otherwise harmless to the environment.

Mr Barry Cutler, director of consumer protection for the Federal Trade Commission, said the lawsuits would provide guidance for other companies about the claims they can make for their products. He added that the task force was investigating a number of other companies which make disposable rubbish bags and nappies.

Although many products, such as paper and some plastics, are degradable when exposed to wind, rain, sun and air, they lose these properties when buried in a landfill.

Although the bags contain an additive which makes them break down into smaller pieces of plastic when exposed to the elements for several months, "most garbage bags aren't let out in the sunlight to degrade" said Mr Humphrey.

The attorneys "do not want bags degrading in landfills because they may release toxic substances that will leach into the groundwater," he added.

According to Mr Humphrey, Mobil said it would discontinue its "degradability" claims in March after a task force of the attorneys and the Federal Trade Commission began their investigations.

However, under federal and state laws, a company's decision voluntarily to withdraw product claims is not necessarily a defence against legal action.

"We're pleased that Mobil promised to stop making false claims after it was caught red-handed, but that doesn't mean that Mobil won't be held accountable," said Mr Humphrey. He added that Mobil had sold millions of the bags in Minnesota and that they were still being sold throughout the state.

NEWS IN BRIEF

Balaguer named winner in Dominican Republic poll

PRESIDENT Joaquin Balaguer has been declared the winner in Dominican Republic presidential elections, defeating his closest rival by a narrow margin, Reuter reports from Santo Domingo.

The Central Electoral Board said on Monday the 83-year-old incumbent had scraped a 25,145-vote advantage over chief opponent Juan Bosch, another octogenarian, in the May 16 elections. It gave Mr Balaguer 678,568 votes against 653,423 for Mr Bosch and his centre-left Dominican Liberation Party (PLD).

According to Dominican law, however, presidential aspirants have five days to challenge the board's results before the victor can be officially proclaimed, the statement said.

Monday's result came after a wearying, almost four-week delay, aggravated by repeated opposition charges of fraud.

The nearly-blind Mr Balaguer, of the centre-right Social Christian Reformist Party, could now win his sixth term as president.

Canadian rates to stay high

There can be no reduction in Canadian interest rates until inflation is brought under control, Mr John Crow, Governor of the Bank of Canada said yesterday, Andrew Marshall writes.

The easing of constitutional problems has led to market hopes of lower rates, partly because of comments by ministers.

Mr Michael Wilson, Finance Minister, has previously said that borrowing costs were increased by the Meech Lake row, implying that a successful conclusion should reduce interest rates.

But high short-term interest rates are an attempt to prevent a recurrence of the inflationary problems of the early 1980's, Mr Crow told the Canada-UK Chamber of Commerce.

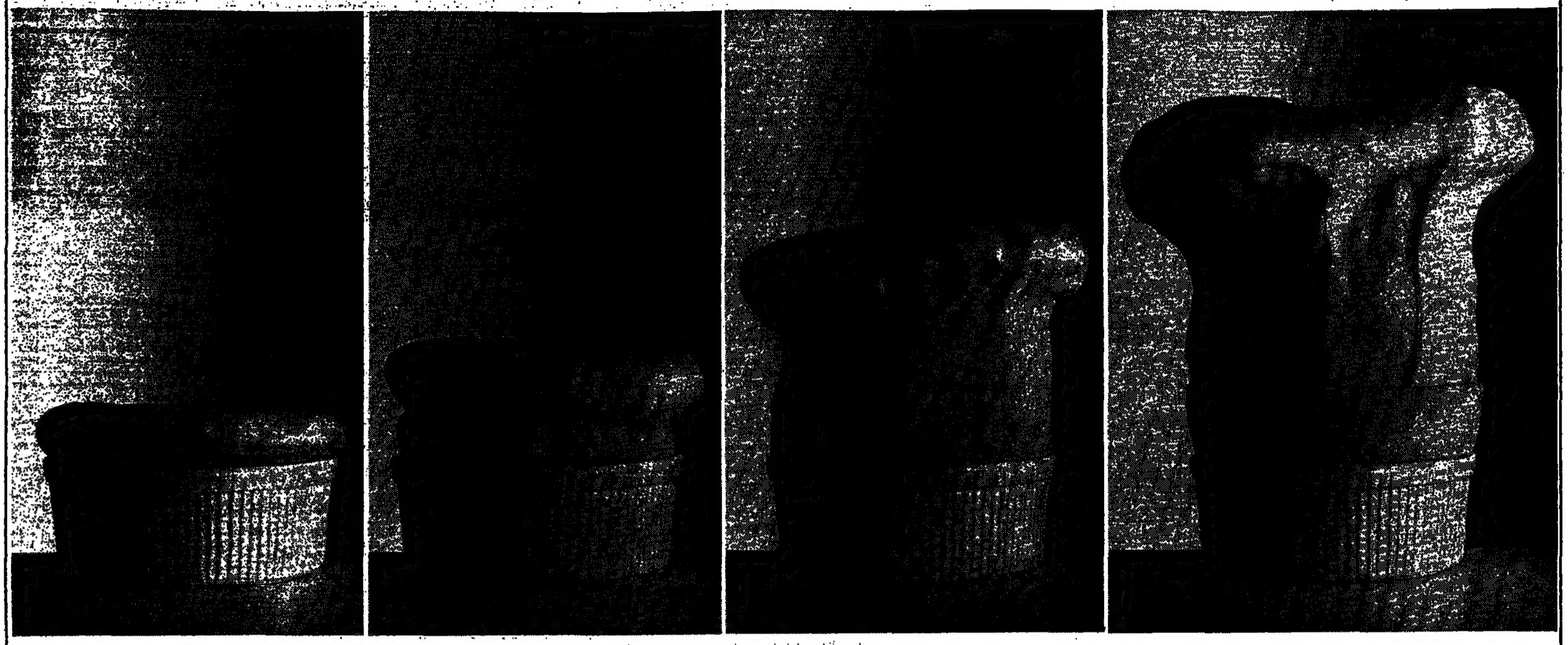
Independence urged for central banks, Page 9

Colombian violence grows

Another policeman and a soldier were murdered in the cocaine capital of Medellin in the hours following what was described as the most violent weekend in the city's history, police said yesterday, AP reports from Bogotá.

The two men were shot dead in two separate incidents late on Monday in a poor section of northeastern Medellin, police said. Interior Minister Horacio Serpa reiterated the Government's commitment not to negotiate with drug traffickers, who are accused of carrying out a campaign of bombings and murders.

The rise and rise of the British chef. Who deserves the compliments?



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AMERICAN NEWS

Argentine trade on the path to maturity

Mendoza's wine industry is the pace setter for a revival in exports reports Tim Burt

JOSE Octavio Bordon likes wine. Mendoza, the western province of Argentina governed by Mr Bordon, last year earned \$26.26m from wine exports and hopes to increase that surplus in the 1990s.

The Peronist state governor, who turned down a ministry in the Menem Government to concentrate on developing a free market economy in Mendoza, sees the wine industry as the pace setter for change in Argentina.

The Bordon administration has embarked on a privatisation programme which last year saw Giol, the largest wine producer in Latin America, sold to a consortium of wine growers. Mr Bordon said the Mendoza-based company is now in a position to export to European markets.

The province's wine industry, which produces 70 per cent of Argentina's wine, is a model for other industries seeking exports, according to Mr Bordon – who was once tipped to be foreign minister and who turned down the job of Minister of Public Works.

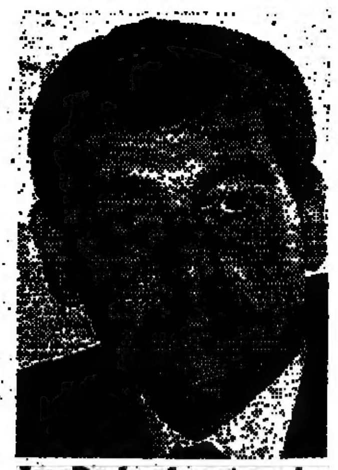
Mendoza, which is regarded as the "breadbasket" of Argentina by its governor, is developing exports of fruit and vegetables. The olive-growing sector earned more than \$32m in export sales last year, hotly followed by garlic exports which earned \$22.9m

Mr Bordon, who has taken on the unions – the traditional Peronist power base – in Mendoza, and wants to develop exports from heavy industry such as the oil and power, last week led the first Argentine trade delegation to London since the Falklands conflict in a bid to revive trade with Britain.

The war "devastated" Anglo-Argentine trade and formal relations between the two countries were suspended for eight years. Mr Bordon thinks the diplomatic and business climate is now ripe for British investment in Argentina, and specifically in Mendoza in new grape-processing plants, hydro-electric projects and in the petro-chemical industry.

His delegation aims to restore links with the lucrative British market following the disruption caused by the Falklands conflict. "Our objective is to multiply exports fourfold and increase significantly our purchases in the UK," Mr Bordon said. "Argentina is developing a free and fair market. The enemy is not the market but inefficiency and corruption," he added.

'Argentina is developing a free and fair market. The enemy is not the market but inefficiency and corruption.'



Jose Bordon: keen to revive trade with Britain

The governor of Mendoza is, however, a cautious politician. Speaking in London before the trade delegation of company president and junior state ministers travelled on to Moscow, he attacked union power and the cost of the military but carefully avoided criticising the Menem presidency.

Mr Bordon has been tipped as a possible presidential candidate of the future and he is keen to attract the support of reform-minded Argentines.

"We must abandon the old ways: we don't want protection and we don't want subsidies – we want efficiency," he says. It sounded more like a campaign slogan than a message to foreign businessmen.

He is critical of trade unions which resist the development of a freer economy and warns: "We do not want to slip back to the 1970s (when the military took power) but forward in to the 1990s... We are reducing the burden of the armed forces on our budget. The army will not disappear but it will be different."

The major problem, however, is overcoming the negative image of a country dominated by a huge foreign debt and hyper-inflation.

Mr Bordon, who describes himself as "a good salesman for my country", said Argentina will have to abandon subsidies and protectionism to attract investment. He points to the example of Mendoza, where changes in the conservative agricultural industry resulted last year in exports of produce worth \$113m.

The biggest incentive for foreign investors looking at Argentina would be a visible improvement in the national economy

His successes in the western province has already boosted trade with the US and Canada, which together spent more than \$49m on imports from the region last year. Exports to the Americas are developing faster than with Europe. Brazil currently accounts for more than 30 per cent of the province's \$206m export trade, followed by the US, Chile and Canada. The only significant European market is France, which buys \$6.94m worth of Mendoza produce.

Mr Bordon hopes to build on that success in Europe, and Britain in particular. "I don't think there is any country among the northern industrialised nations that understands Argentina's industry and finance so well as Britain," he said.

"We want to buy British expertise and technology." But Mr Bordon admits that the biggest incentive for foreign investors looking at Argentina would be a visible improvement in the national economy.

He told businessmen in London that Argentina will be steering a middle-course following the examples set by Chile, where the economy was freed from state intervention during the Pinochet years, and Brazil, where a young president has taken radical steps to cut bureaucratic corruption and spending while raising prices.

There will be no quick results, Mr Bordon predicted. "We have a great task of fiscal reform. We go forwards and backwards and I'm sure we will make mistakes.

"But I am sure we are on the right path."

Columbia sent back to hangar

THE shuttle Columbia was sent back to the hangar yesterday for repair of a hydrogen leak that will ground the spacecraft until August, AP reports from Cape Canaveral.

Columbia's flight with the \$150m Astro observatory was called off two weeks ago when the leak was detected during fueling.

Officials suspect the leak is in or near a tight cavity between two metal plates that connect the orbiter and the external fuel tank. The tank will have to be disconnected, a job that can only be done at the hangar.

Venezuela seeks advisers for privatisation process

By Joe Mann in Caracas

THE Venezuelan government has issued a public invitation to domestic and international consulting firms, investment banks and certain other financial entities who wish to pre-qualify as advisers for its privatisation programme.

Advertisements carried in the Venezuelan press said that the privatisation scheme would cover companies in the sectors of telecommunications, airlines, shipyards and maritime freight, hotels, agro-industries, cement, metals, machinery and race tracks.

The government of president Carlos Andres Perez, which began a five-year term in February of 1989, announced soon after taking office that it would privatise a large number of companies owned or controlled by the state. Up to now, however, there have been no privatisation agreements, due mainly to legal and political complications. The government said that it would move ahead this year with privatisation of three commercial banks controlled by the state, and with private investment in Viasa, a government-owned international airline.

The Venezuelan Investment Fund, based in Caracas, is in charge of the privatisation programme.

INTERNATIONAL NEWS

Japanese business confidence falling, says bank report

By Stefan Wagstyl in Tokyo

BUSINESS confidence in Japan has declined in the last three months, according to a report published yesterday by the Bank of Japan.

Mr Masaaki Nakao, the chief economist, said Japan's economy was slowing down gradually but there was no indication in the central bank's findings that a sharp decline in growth was imminent.

The study, called *tankan* in Japanese, is the bank's key survey of short-term business trends and is the first carried out since Japan's financial markets were plunged into turmoil in mid-February. Its findings disappointed investors in the stock market, where the Nikkei index fell 217.87 points to close at 32,332.31.

According to the survey, the confidence rating of manufacturing companies fell in April to 43, against 52 in February and 53 last November.

The rating for non-manufacturing companies dropped one point to 48, with considerably larger declines for real estate developers, trading houses and other interest-rate sensitive sectors. In particular, the index for leasing companies plunged from 27 to 13.

Mr Nakao said that despite declining confidence the economy remained on a plateau.

The central bank raised its forecast for planned increases in capital spending by 4.1 percentage points to 11.2 per cent for the financial year to the end of March 1991. Manufacturers alone would increase spending by 16.5 per cent, an increase of 5.9 percentage points over the bank's previous estimate.

But the report offered no comfort for inflation-watchers. More companies said they expected increases in product prices than at any time since May 1984.

Mr Nakao said the central bank believed prices had to be kept under close surveillance.

However, fears over labour shortages eased slightly from a record level in February. But the decline is accounted for by companies recruiting in April their annual intake of graduate trainees. The September survey is expected to show a sharp rebound to above February's levels.

Companies are also seeing their access to supplies of new funds becoming more difficult. The confidence rating over cash positions fell from 25 to 21 and is expected to decline further to 14 in September.

Turmoil in the stock market has made it impossible for companies to raise new equity funds and lenders have become noticeably less accommodating.

Yen weakness slows rapid decline in trade surplus

By Robert Thomson in Tokyo

THE swift fall in Japan's trade surplus slowed in May, with the weakness of the yen retarding import growth and prompting higher export volume.

Figures released by the Finance Ministry yesterday showed a surplus in May of $3.13bn (£1.85bn), down 16.6 per cent from the same month last year. Export value fell 0.9 per cent to $21.51bn, and imports rose 2.4 per cent to $18.38bn. In April the surplus fell by 51.4 per cent from a year earlier.

Exports to the US declined by 4.5 per cent in May, although imports from there fell by 0.2 per cent, leaving a bilateral surplus of $2.44bn, down slightly on the last year's $2.75bn surplus. Japan's exports to the EC rose 7.1 per cent to $4bn, while imports climbed 32.3 per cent to $2.86bn.

But the overall trade pattern for the month suggests that weakness of the yen is disrupting Japan's trade adjustment. Clothes imports, a useful indicator of short-term trends, fell 15 per cent, while total exports by volume rose 8.4 per cent, well above last year's average of 3.8 per cent.

Seasonally adjusted, the May surplus was $3.4bn, up from $3.18bn in April, with exports rising 2.3 per cent to $21.4bn and imports increasing by 1.3 per cent to $18bn.

Fears of backlash follow ceasefire in Sri Lanka

By Mervyn De Silva in Colombo

THE Sri Lankan Government and Tamil Tiger separatist guerrillas yesterday agreed to end fighting that has risked a return to civil war on the island.

The Tamil Tigers, who have been holding peace talks with President Ranasinghe Premadasa since January, had launched simultaneous attacks on police stations and isolated army camps in the ethnically mixed eastern province. They had taken many Sinhalese hostages.

Their renewed violence was a sign of frustration at the slow progress of talks aimed at dissolving the north-east provincial council and the holding of fresh elections in the Tamil-dominated region.

The council was set up to grant Tamils a measure of the regional autonomy pledged by former President Junius Jayawardene under the India-Sri Lanka peace accord.

The Government has proposed amendments to the Provincial Councils Act to allow the body to be dissolved, enabling elections to be called. The Supreme Court starts to consider the measures this week.

But the Tigers regard the procedure as foot-dragging and appear to have restarted violence to encourage swifter action.

They boycotted the provincial council polls last year, protesting at the presence of Indian troops in Sri Lanka. India favoured the Tigers' more moderate rivals.

A western diplomat said: "The Tigers are giving the Government a bit of a hurry up, doing what comes most naturally to them."

Unconfirmed reports put army and police casualties at more than 30 dead.

The Tigers have also overrun the Point Pedro police station in the north and have surrounded the main army fort in Jaffna, the northern Tamil stronghold.

Fearing a Sinhalese backlash, similar to the one which occurred in July 1983, the Government has appealed for calm, although tempers were running high in parliament yesterday.

Mr Ranjan Wijeratne, the Defence Minister who is regarded as a hardliner by the opposition, told a tense house that unless Mr Velupillai Prabhakaran, the Tigers' leader, controlled "criminal" elements, he might suffer the same fate as Mr Varharja Perumal, the former chief minister of the north-east provincial council.

Mr Perumal declared independence for Tamil-held regions shortly before fleeing, under the protection of the Indian peace-keeping force, to exile in Madagascar.

Zhu: step up understanding

High-level Chinese trade group visits HK

By John Elliott in Hong Kong

CHINA has launched this week its most intensive attempt to attract foreign investment since last June's Tiananmen Square crisis, by sending a high-level mission to Hong Kong.

The delegation, which will travel to Singapore on Saturday, is led by Zhu Rong Ji, the charismatic and reformist mayor of Shanghai. He is the most important Chinese official to visit Hong Kong since last June.

The 17-person group aims to demonstrate that investment is justified because of continuing economic reforms in China. In particular it is promoting a new $10bn (£5.91bn) Shanghai special economic and industrial zone called Pudong.

The zone, in an existing industrial coastal area, was authorised by Li Peng, the Prime Minister, earlier this year.

Shanghai is China's second city and its old industrial and financial centre. But it has been eclipsed in recent years by the growth of southern coastal areas around the provinces of Guangdong and Fujian where there are five successful special economic zones, the most prosperous of which is Shenzhen, adjacent to Hong Kong.

Zhu came to prominence two years ago when he took office and launched an industrial policy aimed at cutting through Shanghai's stifling bureaucracy. He handled last June's student demonstrations deftly, working alongside Jiang Zemin, then the city's party secretary and now the country's party leader. He said yesterday that only a handful of dissident students were still in jail.

Zhu is today meeting Sir David Wilson, the governor. Yesterday he led a one-day investment seminar attended by 380 people and visited the stock exchange. He has met community and other leaders.

"My primary purpose is to step up understanding from which comes friendship, which leads to co-operation and mutual benefit," Zhu said yesterday. "The central government decision to go ahead with Pudong shows the outside world that it is sticking to economic reform policies."

Zhu said that Peking was providing Yn6.5bn ($819m) over five years to start Pudong, but he hoped that half the $10bn total cost would come from foreign investors in joint ventures and wholly-owned projects. The aim was to match and possibly improve on tax, investment and other concessions available in the southern special economic zones.

The 350sq km Pudong site lies between the east bank of the Huangpo River and the East China Sea. Existing industry includes a float glass joint venture involving Pilkington of the UK.

Chatichai faces US protests over copyright infringement

By Nancy Dunne in Washington

SIX senators on the powerful US Senate finance committee and the heads of eight industry groups are urging President George Bush to raise the issue of intellectual property rights when he meets General Chatichai Choonhavan, Thailand's Prime Minister, in Washington today.

The senators claim that enforcement teams, maintained in Thailand by intellectual property rights trade groups, have been subjected to death threats and forced to curb their Thai operations.

In letters to the Thai ambassador in Washington and Administration officials, the group warns of an "intolerable and inexcusable situation" resulting from the Thai Government's refusal to enforce its copyright law.

"Large-scale pirate manufacturers, whose names, ownership and places of business are widely known to the Thai authorities have formed an association designed to consolidate their power and influence and to create a slush fund to pay any criminal fines imposed on their retail dealers," one industry letter said.

Since the US joined the Berne Convention on copyrights in March 1989, the US motion picture and recording industries have maintained four enforcement teams in Thailand to ferret out manufacturers of pirated tapes and turn them over to Thai authorities.

Losses to industry from intellectual property rights piracy is estimated to cost US industries about $61m (£36.1m) a year.

Although the enforcement teams had initial success, the situation has quickly deteriorated.

Enforcement against video pirates has also declined. Since March 1 last year, 48 raids have been launched by Thai police, but none has resulted in a conviction. Only two cases have reached a court hearing.

Also on the Prime Minister's agenda in Washington are: discussions with State Department and White House officials on the stalemate in Cambodia; trade and economic ties, likely to include US efforts to enter the Thai tobacco market; and the ministerial meeting next month of the Asia Pacific Economic Conference.

Chatichai: Washington visit

Thai officer corps allays fears of coup

By Roger Matthews in Bangkok

THAILAND'S senior military officers have called a truce in their row with the Government, at least until General Chatichai Choonhavan, the Prime Minister, returns from an official visit to the US.

The Prime Minister's departure for Washington came only 12 hours after the resignation of Gen Chavalit Yongchaiyudh, the deputy premier and Defence Minister. Thousands of officers demonstrated in support of Gen Chavalit on Monday, but then reassured the Prime Minister that they would not attempt to overturn the Government.

The unresolved row centres on allegations of corruption. Gen Chavalit, who only joined the cabinet in April after retiring early as army commander, was angered by allegations against himself and his wife made by Mr Chalerm Yoobamrung, Minister in the Prime Minister's Office.

A defiant Mr Chalerm, a former police captain whose political career has been marked by controversy, remained at his post yesterday. Although there was no indication of what political price would be paid and by whom to settle the dispute, relieved investors and speculators pushed the stock exchange index up by more than 25 points, regaining more than half of Monday's losses.

The ruling party's spokesman added to the spate of conspiracy theories circulating in Bangkok by suggesting that Gen Chavalit was the victim of a well-laid plot by the Prime Minister aimed at destroying his most serious political rival.

While deploring the military's stated willingness "to put honour before discipline," several Thai newspapers speculated that, by resigning, Gen Chavalit might have seriously damaged his chances of eventually becoming Prime Minister. There was also criticism of the Prime Minister's apparent inability to control or discipline members of his cabinet.

Opposition parties, which later this month are to introduce a no-confidence motion against the Government, have praised Gen Chavalit's "principled action."

Hardline Israel heightens Arab anger

By Lamis Andoni in Amman and Victor Mallet in London

THE Israeli Knesset's vote of confidence in the hardline government of Mr Yitzhak Shamir prompted angry condemnations yesterday from Palestinians and other Arabs already near despair about the prospects for Middle East peace.

"This is a government of war," said Mr Faisal Husseini, a leader associated with the Palestine Liberation Organisation and with the *intifada* or uprising in the Israeli-occupied West Bank and Gaza Strip.

In its latest leaflet the underground leadership of the *intifada* urged Palestinians to step up their struggle and "burn the ground under the feet of the occupation army and the settlers". Mr Shamir has vowed to crush the uprising.

Palestinian leaders based in the Arab world outside the territories say they fear a resurgence of violence, in the form either of planned commando raids against Israel or uncontrollable terrorism. "We have reached a dead end," said one PLO official.

For more than two years Mr Yassir Arafat, the PLO chairman, has given priority to diplomacy while suppressing Palestinian demands to resume the armed struggle against Israel.

But 17 months after the start of the US-PLO dialogue which followed Mr Arafat's renunciation of terrorism and recognition of the state of Israel, many Palestinians believe they have gained nothing from their concessions.

The US has threatened to end or suspend the dialogue with the PLO because of the PLO's failure explicitly to condemn a failed seaborne commando raid against Israel last month by one of its more radical factions, the Palestine Liberation Front.

PLO officials have made a vague condemnation of attacks against civilians but have otherwise greeted the American threats with cynical shrugs. "Why should the PLO even consider any American demand of any kind?" asked Mr Abdullah Hourani of the PLO's executive committee. "We have given a lot and have seen nothing in return."

Arabs are particularly incensed about the current influx of Soviet Jews to Israel, because they believe that the wave of immigration is encouraging the Israeli authorities to settle more Jews – Soviet or not – on Palestinian land. There is anger that Washington has not put more pressure on Israel to stop it.

The last straw for the PLO was the American veto which killed a recent UN resolution to send a mission to the occupied territories to investigate the plight of the Palestinians.

Yesterday King Hussein of Jordan, many of whose subjects are of Palestinian origin, met Mr Vladimir Petrovsky, Soviet Deputy Foreign Minister, and condemned both the Israeli Government and its handling of the Soviet immigrants.

President Mikhail Gorbachev has suggested he might curb the emigration of Soviet Jews if Israel settles them in the occupied territories, but few Arabs believe that the Soviet Union is prepared to risk its relationship with Washington by carrying out such a threat.

Arab states are therefore falling back on their own resources, including the militaristic posturing of Iraq, the distant brandishing of the oil weapon, and the more immediate threat of guerrilla warfare.

"We remain against terrorism and the killing of innocent people," says Mr Yassir Abed Rabbo, who has led the PLO side of the dialogue with the US. "But the PLO has never dropped the military option".

An Israeli soldier threw a tear-gas grenade into a crowded waiting room of a United Nations maternity clinic in occupied Gaza City yesterday injuring 66 Palestinian children, most of them babies, the army said, Reuter reports from Gaza. An official said the soldier acted contrary to orders.

Two fingers upset Kenyan loyalists

By Julian Ozanne in Nairobi

IF Winston Churchill were to fly to Kenya today and flash his famous two-fingered victory sign he might have his fingers chopped off for being a political subversive.

In public buses, market places and discotheques hundreds of Kenyans have taken to waving the two-fingered salute as a sign of support for the pro-democracy movement which is challenging Kenya's one-party dictatorship.

Kanu, the ruling party, which has traditionally had a cockerel as its symbol, is increasingly alarmed at two-fingered salutes and has instructed all its members to wave one finger at official junkets.

The latest worrying development in the battle of the fingers comes from a senior Kanu apparachik who has ordered the party's youth wing, a notorious bunch of green-bereted teenaged enthusiasts, to chop off the two fingers being waved by the government's opponents.

Mr Wilson Leitich, the Nakuru District Kanu branch chairman, has told the youthwingers to carry knives, to stop anyone waving the salute, cut off their fingers and take them to the Nakuru Kanu office. He also ordered them to confiscate trading licences from advocates of a multi-party system.

A heated argument is also shaping up over whether it is constitutional to display the portrait of former president and Kenya's founding father, Jomo Kenyatta.

Mr Joseph Kamotho, Kanu National Secretary, announced recently that the public was free to hang Mr Kenyatta's picture in their homes but they should not hang it on the same level as that of Mr Daniel arap Moi, the current president.

Monopoly for Malaysian news agency

MALAYSIA'S parliament yesterday approved a controversial bill to give the national news agency Bernama sole rights to receive and distribute news in the country, Reuter reports from Kuala Lumpur.

Officials said the amendment to the 1967 Bernama Act, introduced last February, would allow Bernama, now a statutory body, to pursue profits and become less dependent on the government.

Mr Abdul Rahman Bakar, a government MP, said Bernama should only release news received from foreign news agencies "in tandem with our national aspirations. We don't want any articles with negative values which can pose a threat to the peace and stability of our country," he said.

The amendment also allows Bernama to cease being guided by UN declarations on freedom of information.

S African pact

Two rival South African anti-apartheid movements signed a pact yesterday to prevent feuding between their supporters that has killed five people in Vosloorus township east of Johannesburg, Reuter reports from Johannesburg. In an unprecedented move the African National Congress and the smaller Pan Africanist Congress agreed at a meeting to work together to end hostilities.

Sheik Abassi Madani, leader of the Islamic Salvation Front, cast his vote in Algiers yesterday in elections for municipal and provincial councils in the first free, multi-party vote since independence from France in 1962, Francis Ghilès reports from Algiers. Early reports from the Ministry of the Interior suggested that the turnout was not particularly high, and in some areas, only 6 per cent of electors had voted by the middle of the day.

MPs' financial interests under microscope in NZ

MR Geoffrey Palmer, the New Zealand Prime Minister, outlined a new law yesterday which will require members of parliament to disclose their financial interests within four weeks of taking office, Reuter reports from Wellington.

The requirements, which aim to avoid conflicts between members' private interests and public duties, are similar to those applying to cabinet ministers from June 1.

The new rules followed a Television New Zealand programme in late April which suggested the Labour government's links with big business in the 1987 election campaign influenced economic policies.

Mr Palmer and other ministers have since filed writs against Television New Zealand demanding a total of NZ$6.95m (£2.38m) in damages.

Mr Palmer told a news conference that all MPs would be required to disclose the value of commercial property holdings, companies in which they hold shares, gifts of more than NZ$500 and outside income.

"Members will be required under legislation to make a declaration with 28 days of taking up their parliamentary seat and annually thereafter," he told the news conference.

The next election has to be held by October this year.

Changing world undermines Indonesia's case for soft credit

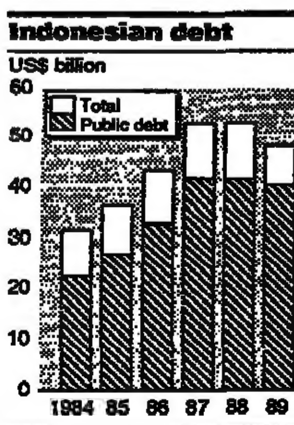
Strong growth and the end of the domino theory will be on the minds of donors this week, writes John Murray Brown

MUCH HAS changed on both sides of the table at Indonesia's annual donor talks in the Hague since former President Sukarno told a visiting US official 25 years ago to "go to hell with your aid".

As they present their case for further donor assistance this week, the Indonesians must surely be hoping the taunt will not be recalled. The strategic priorities of western donors are very different today in a world in which Indonesia is no longer viewed as the place where aid and the domino theory meet. Eastern Europe changed all that.

It is no longer even easy to make a case for humanitarian aid for a country which last year saw its economy grow by more than 6 per cent.

Indonesian debt



Indonesia's public and private debt – disbursed and out standing – is now $48bn, according to the World Bank.

Since President Suharto's military-backed regime took power in 1965, the Inter-Governmental Group on Indonesia (IGGI), which comprises 14 donor nations including the US and Japan, with the World Bank, the International Monetary Fund and two other multilateral aid agencies, has provided the greater part of Indonesia's external financing either in the form of grants or tied aid – soft loans which must be spent with the donor country.

Unlike the indebted countries of South America, both Indonesia's maturity and term structure are concessional, thanks largely to the IGGI. Of the $40bn public sector foreign debt, which does not include loans to Pertamina, the state oil company, and Garuda, the national airline, $6bn is owed to banks, $9bn is backed by official credit agencies and the remainder is in multilateral or bilateral credits.

"The real elegance of Indonesia's debt strategy is they never seem to be short of cash," says a senior banker involved in recent commercial syndications.

Indonesia has avoided a big debt rescheduling by keeping a cushion of undrawn credit – $16bn at the end of 1989, including $1.8bn of commercial standby credits.

Some Indonesian economists argue for greater flexibility, in particular in soft loan financing. For one thing, the soft loan often subordinates the country's real financing needs to what the donor can offer.

Meanwhile, the Government's ability to tap commercial markets is improving. Indonesia won easier terms on a new $400m eight-year syndication, lead-managed by J.P. Morgan, launched last month. In a further sign of renewed confidence in Indonesia's economy, J.P. Morgan was also involved in arranging a $550m credit for the expansion of Freeport McMoRan's Indonesian copper mine.

Mr Radius Prawiro, chief economics minister, is more cautious. "We will borrow as far as it is in our capacity to repay. You have to borrow money wisely, not wildly. Our income level is still low. We still have to borrow cheap money."

According to official balance of payments projections, IGGI will again account for 70 per cent of Indonesia's $6.5bn external financing needs in 1990-91. The process involves an element of bluff. Donors are well aware that Indonesia needs the funds to pay the local costs of foreign aid projects. Without special assistance many valuable capital equipment projects would be stalled.

What is perhaps more important, donor assistance has allowed Indonesia to restructure its debt, giving the Government valuable breathing space to press ahead with economic reform.

The Government's short-term concern is to contain the debt and so reduce the deficit on the current account, which at $1.7bn is around 2.2 per cent of gross national product. This strategy involves increasing its reserves to match the growing import bill as the economy takes off. Central Bank reserves are $6bn.

The longer-term challenge is how to monitor the growth in private sector debt. Reformists such as Mr Prawiro remain wary of the various semi-privatised loan financings such as the Build-Operate-Transfer scheme, which is being floated as a way to get projects off the ground where the economics are sometimes less than proven.

Indonesia has plans for four new oil refineries and a number of plastics projects. The worrying part is that almost all involve companies owned or controlled by President Suharto's children, which some bankers would appear to believe amounts to a full government guarantee.

Key project for inner city youth faces cutbacks

By Norma Cohen

THE GOVERNMENT'S chief advisor on city technology colleges, the science and technology schools for inner city areas, is urging that plans to complete 20 new schools be curtailed, with funds used instead to establish new institutions set up in cooperation with local government and voluntary agencies.

CTCs, intended to teach high-technology subjects to 11 to 18-year olds, have been a subject of controversy since they were first proposed in 1986. They are intended to be outside the control of local education authorities, operating closely with a group of industrial sponsors and with teachers hired on non-union contracts.

Originally planned to be "mostly" built with private funds, government has been providing 80 percent of capital costs for each new institution.

Sir Cyril Taylor, chairman of the City Technology Colleges Trust, a private body which is partly funded by government, said he is urging the Department of Education and Science to "ammend the target." However, he said the government is in no way abandoning its commitment to the programme, and that demand from students and parents for CTC places is great. So far, 15 or 16 institutions are either operating or planned, far short of the 20 CTCs targetted for operation this year.

Government contributions per school have ranged from £5.6m to £7.6m, sums critics charge are too large to justify spending on a single institution when most capital spending for most schools is severely constrained. Furthermore, large corporate sponsors have been difficult to find, and planned CTCs in Brighton and Swindon have been abandoned.

Sir Cyril said he believed that cooperative ventures were far more sensible than building new sites from scratch. "If we knew then (at the start of the programme) what we know now, we might have started this way," he said.

And while the CTC Trust has attracted about £43m in pledges from private industry, lead sponsors have proved reluctant to make the initial contribution of £1m per school.

THE HOUSE OF COMMONS

Thatcher faces jeers over role of former US adviser

By Ivor Owen and Ralph Atkins

MRS MARGARET Thatcher, the Prime Minister, clashed angrily with Mr Neil Kinnock, the opposition Labour leader, in the Commons yesterday when he probed the extent to which she was again seeking the views of Sir Alan Walters, her former economic adviser.

There were jeers and derisive laughter from the Opposition benches when she insisted that she had been seeing Sir Alan "as a friend of the family".

Mr Kinnock recalled that it was the reliance which the Prime Minister had placed on Sir Alan's advice which led Mr Nigel Lawson to resign his post as Chancellor of the Exchequer, last October.

The return of the spotlight onto Sir Alan clearly irritated Downing Street. Officials said his work in the US meant he called at Number 10 only occasionally and insisted the Prime Minister had the right to talk to whoever she liked.

Although they agreed he was only a family friend, the officials confirmed that the two would often meet in Mrs Thatcher's study and with civil servants present.

In the Commons, Mr Kinnock reminded the Prime Minister that Mr Lawson had stated that the successful conduct of economic policy was possible only if there was, and was seen to be, full agreement between the Prime Minister and the Chancellor.

The former Chancellor, he said, had maintained that this essential requirement could not be satisfied so long as Sir Alan remained Mrs Thatcher's personal economic adviser.

Mr Kinnock suggested that, against this background, the Prime Minister should be "more careful" in her choice of family friends. Mrs Thatcher protested: "You object to me seeing family friends – you are getting worse than the KGB".

During further exchanges the Prime Minister again stressed the determined opposition voiced from both sides of the House to Britain ceding the "amount of economic sovereignty" required by stage three of the Delors plan for economic and monetary union within the European Community.

Mr John Wilkinson, a Conservative MP, referred to a report that the chairman of the German Bundesbank had spoken of "two speed progress" to economic and monetary union.

He asked if the Prime Minister envisaged the UK being in the first speed group along with Germany, France and the Benelux countries, and, if so, whether it meant that sterling would be included in the exchange rate mechanism of the European Monetary System "sooner rather than later".

Mrs Thatcher replied that there had been no change in the conditions laid down for sterling's inclusion in the exchange rate mechanism at the EC summit held in Madrid.

She reaffirmed her objections to a "two-speed Europe, and hoped that the inter-governmental conference on economic and monetary union,due to be held in December, would be influenced by the view of the House.

The Prime Minister emphasised: "If you cede sovereignty over all monetary and economic matters, you have ceded the fundamental core of the things that we are here to decide".

Prime Minister rules out Gorbachev plan for Germany in Nato

By Ivor Owen, Parliamentary Correspondent

DUAL membership of the Nato and Warsaw pacts for a unified Germany, as suggested by President Gorbachev, was ruled out by Mrs Margaret Thatcher, the Prime Minister, in the House of Commons yesterday.

While accepting the need to provide reassurance for the people of Russia about the implications of a unified Germany within Nato she told Mr Neil Kinnock, the Labour leader,"I doubt very much whether one country could be a member of two different pacts".

The Prime Minister, reporting on her three day visit to the Soviet Union, said a "mixture of measures" would be needed to allay the fears of the Soviet Union which lost 27 million of its citizens in the battles to repel the Germans in the second world war.

Mrs Thatcher did not make any direct reference to the possibility of a joint Nato/Warsaw pact declaration to accompany German unification.

But she left MPs in no doubt that she saw no scope for the Soviet Union following the precedent set by France, which removed its forces from Nato command while remaining a signatory of the pact.

The Prime Minister was pressed by Mr Kinnock and by Mr Paddy Ashdown, the leader of the Liberal Democrats, who complained that she had given the impression that the cold war might be coming to an end in her head but not in her heart, to spell out the prospects for cuts in Britain's nuclear and conventional forces.

Mrs Thatcher was adamant that Britain must retain her nuclear deterrent, with a force of four Trident submarines, so that one would "always be on station",and two most of the time.

Discounting suggestions that negotiations between the US and the Soviet Union could lead to Britain being required to relinquish Trident, the Prime Minister emphasised that American leaders had always "staunchly" defended the long standing relationship between the two countries over atomic weapons.

Apart from keeping an independent nuclear deterrent, she said, it was absolutely vital that Britain retained the anti-submarine warfare capability, and full air cover for home bases.

Dealing with the economic implications of German unification for the other members of the European Community Mrs Thatcher acknowledged the need to be "wary" of highly subsidised goods emanating from East Germany.

Special arrangements would be needed,and a transitional period under the common agricultural policy.

The Prime Minister insisted "We cannot have goods freely circulating from a Communist country as part of a Community made under a completely different set of rules".

Questioned about reports that Western countries would provide a £7bn aid package for the Soviet Union, Mrs Thatcher said there had been talk of West Germany providing finance to assist with Russian troop relocation.

US publisher sees brighter future for global industry

By Raymond Snoddy

AFTER a period of re-thinking, re-grouping and re-structuring, general publishing has never been in a better shape to face a new decade and a new century, Mr Alberto Vitale, chairman and chief executive of Random House, the US publishers, predicted yesterday.

"Anyone seriously involved in trade (general) publishing is in a substantially solid, modestly expending business with staying power second to none and with great opportunities for further growth both nationally and internationally," Mr Vitale said.

The challenge was to manage the business and do it without interfering with the independence and freedom of action of the editorial process, and without burdening it with the constraints of corporate management.

Mr Frank Barlow, managing director of Pearson, publishers of the Financial Times, warned that general publishing "if not in crisis, at least is in need of the kind of re-structuring that takes place in most businesses from time to time."

The re-structuring, Mr Barlow predicted, would take two forms. Fewer titles would be published, there would be a reduction in advances paid to authors and a general cut in costs.

Large media groups would also continue to seek to buy newspapers and other media interests outside their home bases.

Mr Eric de Bellaigue, publishing analyst at stockbrokers Panmuir Gordon, said that the market under-performance of publishing shares had been linked to the market's indiscriminate perception of such companies' dependence on volatile advertising revenues.

Both high interest rates and low advertising revenue would reverse themselves probably in the next one or two years. When that happened, "I would anticipate an above-average performance by publishing shares."

Mr Robin MacKichan, managing director of The European, said the new weekly newspaper represented a genuine "leap of faith" by Mr Robert Maxwell, its publisher and editor-in-chief, and his staff. The third issue, he said, had sold 469,000 copies.

"Political and economic frontiers are crumbling and we believe that there is a new consensus – the emergence of a truly European outlook which transcends traditional nationalistic self-interest," Mr MacKichan said.

Mr Hew Stevenson, chief executive of the Westminster Press, the regional newspaper group owned by Pearson, said that the prospects for regional newspapers in the UK were probably better than they had been for a generation.

In 1938, regional newspapers took 16 per cent of total advertising. Last year, the share was 23 per cent of a vastly increased advertising cake totalling £8bn.

FT CONFERENCE

PUBLISHING INDUSTRY IN THE 90s

Mr Leo Bogart, senior fellow at the Gannett Centre for Media Studies in New York, said that however fiercely newspapers competed, they needed a mechanism for working together if they were to get on the schedules of an increasingly centralised advertising industry.

Mr James Warrillow, president for Canadian Publishing at Maclean Hunter, said that international co-operation held the most potential for international media ventures by investing abroad in already well-received and established publications, instead of trying to export or rather impose those successful in their own markets. The thought was best expressed in the phrase "think globally, act locally."

International bank staff to meet over job losses

By Richard Donkin

EMPLOYEES of the Bank of Credit and Commerce International have organised a meeting in London tomorrow to discuss industrial action against redundancies at the bank.

The BCCI staff association has booked a room in Throgmorton Street in the City to vote on whether staff should be balloted by post on proposals for industrial action.

The bank has announced 500 redundancies among about 1,460 employees designated as UK staff. Another 500 jobs are expected to go among about 1,000 UK-based staff in the international division.

The redundancies are part of a restructuring programme which involves shrinking the number of UK branches from 43 to 26 and moving the bank headquarters from London to Abu Dhabi.

Mr Vivian Ambrose, a member of the staff committee established to organise the protest, said at least 400 of nearly 2,500 BCCI employees in the UK were expected to attend.

He said: "Feeling is running high at the moment. People feel they have been let down very badly."

The voluntary redundancy package has been described as derisory by BIFU, the banking union. The package would, for example, give a 40-year-old employee with 10 years service £1,840 plus a three months' salary *ex-gratia* payment. The union says this is only marginally better than the compulsory terms that the bank intends to apply to those selected for redundancy who have not accepted the voluntary terms.

According to the staff association, 724 employees have indicated they would be prepared to accept voluntary terms.

Redundancies had been expected since BCCI announced a $498 loss in its 1989 results. The UK cutbacks are the first phase in an international rationalisation programme that could see 4,000 job losses among BCCI's 14,000 workforce worldwide.

European Court of Justice verdict may complicate indirect tax negotiations

EC finds Irish border curbs illegal

By Tim Dickson in Brussels

THE Irish Government's controversial curbs on travellers allowances - limiting duty free benefits to those who have stayed in another country for more than 48 hours - were yesterday judged to be illegal by the European Court of Justice.

In a ruling which may complicate already delicate EC negotations over indirect tax harmonisation, the Luxembourg based Court said it did not accept Dublin's claim that these should only apply to "genuine" travellers.

EC case law, said the judges, showed that member states are only left with the restricted powers given to them in the relevant EC directives and that "no derogation was made...relating to the duration of journeys".

The so-called 48 hour rule was introduced by the Irish Republic in April 1987 in response to the revenue loss arising from cross border shopping excursions to Northern Ireland. These were to take advantage of lower value added tax and excise duty.

The Dublin Government is clearly hoping, notwithstanding the unambiguous verdict of the Court, that it may be able to negotiate a special deal over travellers allowances like the one currently accorded to Denmark. The Danes have a derogation under EC law limiting the amount of goods which can be brought back into the country by those who have been away less than 48 hours.

This runs out at the end of the year but under a Dutch Government compromise which would modestly increase the quantity and value of duty free goods, and which has been accepted by Brussels, it would be extended until the end of 1991. Mrs Christiane Scrivener, the EC Commissioner responsible for tax, said earlier this week that Brussels would "consider an Irish derogation in a positive frame of mind, as part of an overall solution, but with a cautious approach".

Much, however, will depend on Britain since agreement in the Council of Ministers on all tax matters has to be by unanimity.

● Ireland dug its heels in over the ruling by the EC Court of Justice which declared Irish government restrictions on its citizens shopping north of the border in Northern Ireland illegal, adds Kieran Cooke.

Mr Albert Reynolds, Ireland's Minister for Finance, said that while the Government accepted the EC court's judgement, the rule would be maintained "pending consideration of the judgement and its full implications, and pending the outcome of consultations with the EC Commission."

PowerGen seeks coal pits to secure supply

By Lisa Wood, Labour Staff

POWERGEN, one of the two power-generating companies in the UK to be floated next year, announced yesterday it wanted to buy coal pits near its largest power stations should British Coal be privatised.

The announcement by Mr Edward Wallis, chief executive of PowerGen, came as the company applied to the Government for planning consent to fit sulphur-removing plant at two of its largest coal-fired power stations, Ratcliffe-on-Soar, near Nottingham, and Ferrybridge, West Yorkshire.

National Power, its main competitor, has already said it would be interested in buying some coal mines in a privatised coal industry.

Installation of this 4,000 MW Flue Gas De-sulphurisation plant, if it proceeds, will enable PowerGen to meet European Commission targets for reducing sulphur emissions by 1998 using British Coal's coal and some imported low sulphur coal.

National Power is fitting 4,000 MW of FGD to its Drax plant in South Yorkshire. The coal industry, fearing that EC directives on sulphur emisssons will result in greater imports of low sulphur coal, has been urging the installation of 12,000 MW of FGD.

Mr Wallis announced his intention to buy "economic" pits near to his major coal-fired stations in a speech to the annual conference of the Union of Democratic Mineworkers where he told delegates "Together we survive, divided we fall."

PowerGen has 21 power stations and uses 19,00 megawatts of fuel of which 5,000 is oil and the rest coal. Fuel costs make up 80 per cent of generating costs.

Mr Wallis said the UDM might suspect that after British Coal's three-year contract with power generators expired they, the generating industry, would turn their back on British-produced coal, which falls within the middle band of sulphur content. "Let me assure you, this is not true," he said.

Mr Wallis said imported low-sulphur coal and natural gas were alternative supplies of fuel but they brought their own problems. Low sulphur coal would increase in price as demand rose and gas prices would inevitably go up.

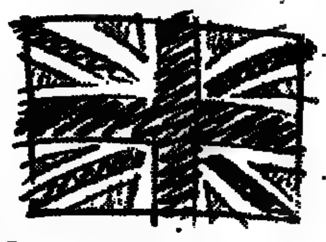
He said: "We have concluded that the best strategy is for us to work towards a balance and mix of fuel supplies."

Coal, he said, had to be keenly priced. British Coal, he said, should face up to the fact that it might have a capacity of 100m tonnes a year but it did not have a 100m tonnes a year market.

He urged the UDM to welcome privatisation. "We would be interested in harnessing some of your pits to add to our power stations," he said.

Mr Wallis said later that what PowerGen bought would depend on exactly how privatisation proceeded. The Conservative manifesto for the next general election will contain a commitment to privatise the industry should a Conservative government be re-elected.

BRITAIN IN BRIEF



Minister calls for defence cuts

Alan Clark

Mr Alan Clark, junior defence minister, suggested that Britain should try developing less sophisticated and specialised weapons.

His speech to the Royal Aeronautical Society last night seemed designed to set the cat among the pigeons at the Ministry of Defence, which is in the throes of a re-assessment of the UK's defence needs.

"I believe that many aspects of weapons procurement are changing, and if we ignore this we will pay for it," he said. Mr Clark's suggestions followed the leaking of part of a report he circulated last year urging radical cuts in British forces.

Canadian view of central bank

Central banks should be separated from government while retaining public accountability, a leading central banker said in London.

The comments from Mr John Crow, Governor of the Bank of Canada, provide support for the Bank of England's wish for greater autonomy. They also represent a contribution to the debate over how the process of European Monetary Union should proceed and what role a European central bank would play.

Car sales drop by 21 per cent

New commercial vehicle sales fell by 21.6 per cent in May, the biggest monthly drop in the present recession.

Sales have fallen since October, and in the first five months of this year, new commercial vehicle registrations at 141,538 were 15.2 per cent lower than a year ago.

The steepest decline has been in the truck market, where sales in the first five months were 27.4 per cent lower than a year ago, according to figures from the Society of Motor Manufacturers and Traders.

In the UK medium van market, Nissan of Japan and Renault of France have lost most ground with Nissan's medium van registrations plunging by more than a third.

Defence report on Rapier

The handling of a £1.8bn project for a new generation of Rapier anti-aircraft missiles was criticised in a report by the Commons Defence Committee.

The committee warned that there were still risks in the project after seven years of development and said it was vital to prevent further delays.

The Rapier Field Standard C, being developed by British Aerospace for the Royal Air Force and the Army, is now expected to enter service in the mid-1990s.

The report blamed BAe, as prime contractor, for part of a 65 per cent increase in the estimated development cost.

The company had "seriously erred" to the tune of £77m in its original estimates, it said.

Union merger talks likely

Talks on a merger between the National Union of Mineworkers and the Transport and General Workers' Union are expected to resume later in the summer.

They would lead to the entry of the NUM's 60,000 members into Britain's biggest trade union.

Mr Ron Todd, general secretary of the TGWU, said that talks, opened last year, had been put on ice pending the NUM's inquiry into allegations by the Daily Mirror of financial irregularities by Mr Arthur Scargill, the NUM's president, during the 1984-5 miners' strike.

New chief for ACOST

Sir Robin Nicholson, 55, technical director of Pilkington and a former chief scientific adviser to the government, has been appointed chairman of the Advisory Council on Science and Technology.

ACOST – on which the Prime Minister sits – advises government across the whole spectrum of national research and technology.

Sir Robin is a metallurgist and fellow of the Royal Society. He replaces Lord Tombs, chairman of Rolls-Royce.

Welsh move for company

Difficulties in both finding land for expansion and recruiting labour in the south-east of England have led Alberto Culver to relocate its business to Swansea.

The Chicago-based company, which claims to be one of the largest producers of hair-care products in the world, is to transfer its £37m-a-year production to a new 140,000 sq ft factory on the Swansea enterprise park from its present base in Basingstoke.

Oil business sale to bank

James Capel, the stockbroking house, announced the sale of the corporate advisory business of its Petroleum Services Department to Kleinwort Benson for an undisclosed sum, believed to be in the hundreds of thousands of pounds.

The James Capel team has been a leading player involved in a large volume of North Sea asset deals in recent years, accounting for about 70 per cent in terms of value of the asset trades last year.

No cash for tunnel link

A clear indication that the Government would maintain its opposition to subsidising the construction of a high speed rail link to the channel tunnel was given by Mrs Margaret Thatcher, the Prime Minister, to the House of Commons.

She said a "colossal sum" of taxpayers' money would be required, and emphasised that subsidies were not provided for international air or ferry services.

"We do not believe we should subsidise international rail services," she said.

Dunsdale chief faces criminal charges over investment firm

By Richard Waters

CRIMINAL charges were brought yesterday against Mr Robert Miller, chief of the collapsed Park Lane investment firm Dunsdale Securities.

Mr Miller faces two charges of obtaining money by deception. The charges, under section 15 of the 1968 Theft Act, carry a maximum penalty of 10 years imprisonment.

It is alleged that, on or about 20 May 1987, he dishonestly obtained a £20,000 cheque from a Dunsdale client, Ms Carole Henderson, by falsely representing that the proceeds would be invested in government securities.

A second similar charge relates to a cheque for £30,000, which was allegedly dishonestly obtained on or about 20 July 1988 from another client, Mr Neil Richard Kelsey.

The charges were brought by officers of the Metropolitan Police, acting on behalf of the Serious Fraud Office.

Scots football rivals clash over hostile takeover plan

By Jane Fuller

A SCOTTISH businessman has joined the defensive wall attempting to block a hostile takeover of the Edinburgh football club Hibernian by its local rival Heart of Midlothian.

Mr Tom Farmer, a lifelong supporter of Hibs and chairman of Kwikfit, the Edinburgh-based tyre and exhaust company, has spent about £300,000 – at 38p a share – to acquire a 5.2 per cent stake in the defending company, which is quoted on the Third Market.

His action follows emotional protests from the fans against the £6.1m bid from Hearts, which plans to merge the teams at a new stadium.

Mr Farmer said he had no intention of mounting a counter bid, he just wanted the club to stay independent.

But his tackle has added weight because the Hearts board has declared that it wants the bid to be accepted by the holders of at least 75 per cent of the equity, so that it can carry through all its plans.

The Hibs camp yesterday totted up the probable blocking votes and suggested they already amounted to more than 25 per cent. Mr Farmer's stake joins the 18 per cent owned by Mr David Duff, the chairman, and at least 10 per cent reckoned to lie in the safe hands of loyal supporters.

The bidder retorted that the stipulation was more than 75 per cent "or such a lesser percentage as Hearts may decide." When the 40p-a-share bid was announced, the share price of Edinburgh Hibernian, which also owns pubs and restaurants in south-west England, was 20.5p.

Those pubs and restaurants came from Inoco, the oil and property invesment company that later increased its stake in Hibernian to nearly 30%. Last week Inoco gave an irrevocable undertaking to accept the offer. Leading the Hearts attack is its chairman Mr Wallace Mercer, a property developer.

"THE BUSINESS of United Distillers will be the worldwide marketing of high quality branded alcoholic drinks under a series of separate consumer brand names.

"The group will concentrate its main resources on those brand names which are capable of development internationally, and on marketing as its prime activity . . ."

With this mission statement, Guinness embarked four years ago on the creation of a cohesive, marketing-led international spirits business from the disparate elements it had acquired in the bitterly-fought takeovers of Distillers Company and Arthur Bell, and to which it later added Schenley Industries of the US.

The result has been a revolutionary change in business culture and organisation which has not only transformed Guinness from a medium-sized brewing company into an international liquor group but has brought benefits to the Scotch whisky industry in general.

In the mid-1980s, the Scotch whisky industry was at a low ebb. Economic recession and increasing competition from white spirits had led to a substantial decline in demand. The decline was especially marked in the US, the world's largest market.

Distillers, and the industry as a whole, responded to the situation by selling excess stocks at low prices to stimulate demand. The move failed. The effect, instead, was to reduce profits and, as cut-price, unbranded Scotch flooded the market, to undermine the standing of the regular brands and the consumer image of Scotch whisky.

Guinness brought to this inheritance a markedly different management style and philosophy.

Distillers, with around 35 per cent of the Scotch whisky market worldwide, had been driven by volume sales and production rather than marketing. Its long list of brands had suffered from insufficient marketing and the downward price spiral.

Bell's, too, had a sales-driven culture, and though it held a strong position in the UK was not established as an international brand.

Tony Greener, UD's managing director, who was brought in from Dunhill in 1987 by Guinness's chairman, Anthony Tennant, says: "We decided that the brands, and their relation with the consumer, had got to be the focus of the business."

Distillers was structured in

Re-shaping United Distillers

A formula designed to raise the spirits

Philip Rawstorne on Guinness's international liquor interests

such a way that it was very difficult for it to be responsive to the needs and opportunities of the market place.

It had grown historically into a loose federation of 12 brand-owning fiefdoms, which included Johnnie Walker, Dewar, and Haig. Each had distilled its own whiskies, and sold them around the world, mainly through its own network of third-party distributors. Little attempt had been made to co-ordinate the individual operations.

"As a result," says Greener, "there had been a great deal of inter-brand competition and cannibalisation. No portfolios of brands had been put together, and their strengths were not being fully utilised in competition either against other Scotch whiskies or against other drinks such as vodka, gin and wine."

Many of the brands were losing market share, often competing against each other, and competing on price rather than image.

Guinness started from the assumption that the brands were its greatest assets and that they had to be positioned, in terms of price and imagery, to cover every conceivable market opportunity and consumer segment.

The first requirement was an organisation that was structured so that it could respond quickly to market demands and manipulate its brands to take advantage of them.

Greener abolished the old Distillers' brand companies and introduced a simple, regional structure that placed operational management in the market places – Europe, North America, Asia/Pacific, and International, which covers South and Central America, the Middle East and Africa.

Distillers' UK operations were combined with those of Bell's in a separate subsidiary.

The regional management teams, including many newly-recruited marketing experts, were given responsibility for all the brands in their markets.

But to ensure consistency, a central strategic unit was established to research and produce individual brand marketing plans and portfolio strategies, and to handle new product development in liaison with regional managers. The unit also took responsibility for external relations with government, industry and the public.

As Distillers' old power-bases were closed, headquarters staff was slimmed down and consolidated in Hammersmith, London, and in Edinburgh and Glasgow, thus saving some £9m a year.

This reorganisation was accompanied by a drive for greater efficiency in production, bottling, purchasing and shipping; this has saved £50m a year. The centralisation in Glasgow of all export administration, dealing with the despatch of more than 500m bottles of whisky to around 7,000 customers in 200 countries, is generating more cost reductions.

As the new structures focused attention on its markets, so the gradual process began of infusing the company with Guinness's marketing culture.

"What it comes down to is a determination to see that everything we do reflects the imagery of the brands. It is a total quality approach to business," says Greener.

"That means far more than simply the quality of the whisky or the gin. It extends to the quality of the packaging – the labels on the bottles, the cases in which they are delivered to the customer. It is about service – answering the telephone in the right manner, delivering on time."

Greener declares: "It is no good saying we are the leading company in the industry, selling high class brands, if every aspect of the business does not reflect that."

He would not claim that everything has yet been done to establish the new culture – "But we have certainly taken a major step along the road towards it."

People like to work for a quality business and respond to the idea with high levels of performance," he says. That response at UD has been further stimulated by the introduction of a profit-sharing scheme, he adds. "It is one of the best things we have done. The payment, in shares, has really helped to bring home to people the merits of thinking more broadly about the interests of the company and generated a positive reaction to what we are trying to do in building brands."

With the establishment of the regional structure, Greener also turned to the reorganisation of UD's distribution network. "If our brands are our greatest asset, then clearly it is very important that we control the marketing of those brands ourselves," he says.

Direct control was essential to the task of revitalising the marketing, status and positioning of Scotch, including its pricing and level of marketing support.

Under the old Distillers' regime, three-quarters of the distribution had been handled by third parties – and, with each operating company building its own network of distributors, there were a lot of them.

Worldwide, the number totalled 1,204 in 1986. There were 244 in Europe, including 36 in Switzerland and 28 in France; 221 in Asia/Pacific; 31 in North America, and 506 around the rest of the world. Distillers owned only three distributors, one in North America, and two in Europe.

Today, the number of agents has been reduced to around 470, and UD controls more than 80 per cent of its distribution. In Europe, there are now fewer than 50 distributors and most of the business is done through 12 new joint venture companies.

The rationalisation of the list of third-party agents had to be done with care, to achieve economies of scale and secure greater local market muscle with the minimum of disruption, to avoid losing the co-operation of the best of the agents, and to prevent the loss of competitive advantage.

The process in the early stages raised legal problems in

Tony Greener: "Very important" to control marketing of brands

Spain, and cost some market share in Europe. But changes in the network have been achieved quickly and, in general, efficiently. After only 18 months, the analysts team at stockbroker, James Capel, reported: "In terms of spread, UD is now as well positioned as any of its major competitors."

Market power and penetration have been achieved especially through the creation of some 25 joint ventures throughout the world – the most notable being that with Moet Hennessy which brought together a portfolio of whisky, gin, cognac and champagne, and now covers Japan, Hong Kong, Singapore, Malaysia, Thailand, France and the US.

"Joint ventures are a common-sense way of going forward," says Greener. "From a commercial point of view, they are very good value. With carefully-chosen partners, you can achieve all the synergistic benefits that you get from a takeover without the high costs."

He warns: "Unless you are basically on the same philosophical track, you should not go into a joint venture. With Moet Hennessy, we share a belief in the importance of brands and brand development. That underpins everything we are doing.

"Inevitably, the approach has to be different from that of a wholly-owned subsidiary. Personal relationships are important. You have to work by persuasion and understanding – and that is not necessarily a bad thing. The process often leads to new and better ways of doing things."

Greener has used joint ventures to rationalise and strengthen distribution in several target markets, particularly in Europe. UD has allied itself with Bacardi and Underberg in Germany; with Bacardi and Codorniu, a leading sparkling wine company, in Spain; with Boutari, one of the largest wine producers, in Greece; and with Real Companhia Velha, the largest port producer, in Portugal.

In South East Asia, it has found other partners in Jardine Matheson, Inchcape, and last year, in company with Korea's second largest spirits distributor, JINRO, started the process of opening up that country's high-potential market.

But UD has also reinforced its new network by acquiring distributors, such as Schenley in the US, and Wax in Italy; and by building its own organisations in Japan and Australia, for example.

As greater control of distribution began to establish a more stable base for its brand portfolios, UD also began to reinforce that base by tackling the problem of parallel exports.

Parallel traders had thrived on the availability of low price, bulk supplies of branded whisky in the UK to undercut traditional exports. That had diminished the status, image and profitability of regular brands.

UD set out to restore the balance between supply and demand by carefully controlling the disposal of excess stocks. It took an aggressive stance on the pricing of secondary brands, driving them up.

The company, according to Alan Gray, analyst at Glasgow stockbrokers, Campbell Neill, now holds virtually all the industry's excess stocks, and its policy has eliminated the problems of depressed prices.

Says Gray: "This is welcome news for an industry which has suffered for many years from the ready availability of excess stocks which not only attracted peripheral operators into the market, selling lowly priced brands, but also encouraged the growth of own label business. Now those trends are being reversed."

Last year, UD's distilleries returned to full working for the first time for a decade. Greener says: "There is no way you can guarantee that the industry will never again have excess stocks. But if we do, I am confident that it will never react to that situation by cutting prices and dumping.

Greener justifies UD's pricing policy as being in the long-term interests of the industry. "A great deal of care and craftsmanship goes into the production of Scotch," he says. "There is a long period of maturation – from five to 12 years and longer – which is not the case, say, in the production of vodka. You will not get the consumer to believe Scotch is a better drink if you are selling it at the same price."

With a more orderly market established, firm control secured over distribution, and an organisation clearly focused on its consumers, UD could get on with that longer-term task of restoring the diminished status of Scotch whisky by rationalising its list of brands, repositioning them in the market-place, and revitalising their image.

An article on UD's marketing strategy will be published tomorrow.

Corporate priorities

By Simon Holberton

THOSE WHO think that shareholder value is the be all and end all of corporate existence will be disappointed to find that the idea is taking a while to penetrate senior managers in British industry.

In answer to the question "Do you explicitly take account of shareholder value gain in your strategic planning or not?" more than 40 per cent of respondents to a recent survey said "no".

The survey, conducted by management consultants KPMG Peat Marwick McLintock, presents results from interviews with 158 companies with a turnover of more than £25m a year. The companies were drawn from a wide cross-section of industry including engineering, financial services, and chemicals.

The survey indicated that few companies (16 per cent) felt constrained in making their long term strategic decisions by the short term performance of their share price.

However, most of the respondents said they planned for best profits/earnings per share returns in making those decisions. A significant minority emphasised building their firms' long term strength and growth potential.

Dick Porter, a strategist at KPMG, says that companies need to value their strategies from the shareholders point of view, otherwise they will find themselves subject to hostile takeovers. "It is essential for value creation to be a prime strategy objective alongside more traditional objectives such as growth and market share," he says.

The survey asked companies what they considered to be the greatest threat to their businesses. A lack of investment in marketing topped the list (39 per cent of respondents) followed by technology (25 per cent) and innovation (11 per cent).

Respondents in the food and drink and construction industries were particularly concerned about marketing investment, while those in financial services seemed to be more concerned about technology.

"Report on Strategic Issues," Prepared for KPMG Peat Marwick McLintock by: Rosslyn Research, 112 Boundary Road, London, NW8 0RH.

FINANCIAL TIMES SURVEY

UNITED ARAB EMIRATES

Wednesday June 13 1990

As business reaps the benefits that have followed the end of the Gulf war, federalism remains weak. Indeed, if a country with such a large per capita income has any problems, most relate to a mismatch between economic and political progress, writes Victor Mallet

Rivals in excellence

THE UNITED Arab Emirates is straining to cope with its own economic success. Last year's higher oil prices, together with increased oil production by Abu Dhabi and a sharp rise in the volume of trade conducted by Dubai's merchants, have forced up rents and filled hotels and aircraft to capacity.

With the Gulf war all but forgotten following the 1988 ceasefire and the more recent attempts by Iraq and Iran to consolidate the peace, the UAE's gross domestic product is estimated to have grown by 8 or 9 per cent in nominal terms in 1989.

Traders, bankers and contractors are all reaping the benefits. Numerous construction projects are under way in Abu Dhabi and Dubai, the two leading emirates, to provide more office space, accommodation and shops; and both governments are spending more money on infrastructure to ensure adequate supplies of power and water.

The strength of the economic revival may disarm those who have criticised the grandiose projects of the past. Dubai's enormous and underused port at Jebel Ali, for example, has profited from the overflow of traffic from Port Rashid in the same emirate.

The competitive, rather than complementary, nature of investment in the UAE is not always financially prudent (there are five international airports in a country of 2m people, with a sixth opening soon in al-Ain), but it is also true that the rivalry between the seven emirates encourages commercial excellence.

Dubai, the entrepôt of the Gulf and a regional business centre, has one of the few airports in the world where you can walk off a jumbo jet and straight through immigration to find your suitcase already waiting for you. Port Rashid is justly famous for its rapid container service, and it comes as no surprise that Abu Dhabi wants to improve the performance of its own Port Zayed by cutting red tape, or that it plans to emulate Dubai by having its own green golf courses in the desert.

In good times such as these, the poorer northern emirates (whose lack of oil or influence prompts one resident of Dubai to compare them to "the children of a second wife") tend to benefit from the largesse of Abu Dhabi and Dubai. But many of the UAE's educated citizens, dismayed by the persistent strength of tribal loyalties, believe that this kind of generosity should be no more than a temporary substitute for a decisive federal spending programme.

The federal government remains weak, and several ministerial posts are vacant or only nominally occupied; both Dubai's Sheikh Rashid bin Said al-Maktoum, the UAE Prime Minister, and Abu Dhabi's Sheikh Mubarak bin Mohammed al-Nahyan, the Interior Minister, are incapacitated by ill health; while the term of the central bank governor has expired without a decision about his future. The almost unchanging federal budget is no more than an end-of-year accounting exercise.

Federal current spending pays the wages of civil servants and maintains the welfare state, but disagreements about the budget costs to be borne by each emirate have eroded development expenditure over the years. Broadly speaking, Dubai takes from the federal kitty as much as it puts in, and Abu Dhabi subsidises the other emirates.

The inhabitants of Abu Dhabi — which is the most populous emirate, the site of the federal capital and the location of most of the country's oil — can afford to be relaxed and publicly federalist in their attitude towards the future. The sheikhs and merchant families of Dubai, on the other hand, are noticeably combative about preserving a degree of independence from their wealthy neighbour.

As its own oil reserves diminish, Dubai needs to secure new gas supplies to power a diversified economy based on services and industry. To anyone not versed in local politics, Abu Dhabi would be the obvious supplier, but Dubai prefers to look abroad.

Federalists have not despaired. The UAE's achievement in qualifying for the World Cup soccer tournament in Italy was welcomed throughout the emirates.

Furthermore, Sheikh Maktoum bin Rashid al-Maktoum, the popular Crown Prince of Dubai and UAE deputy prime minister, has recently asserted himself in the federal cabinet and in the affairs of Dubai, after a long spell of political inactivity. The change was prompted by the death of Sheikh Hamdan bin Mohammed al-Nahyan, Sheikh Maktoum's fellow deputy prime minister, who had taken charge of UAE cabinet meetings.

Sheikh Maktoum is now regularly in Abu Dhabi and appears to relish his new-found responsibilities. It is thought that federal project spending in the northern emirates will increase, and there has been speculation — not, it must be said, for the first time — that Sheikh Zayed bin Sultan al-Nahyan, the Ruler of Abu Dhabi and UAE President, will announce a cabinet reshuffle.

In Dubai, Sheikh Maktoum has already made his presence felt. Concerned about the possibility of corruption or overspending, he suspended and amended a number of projects which were part of the fiefdom of his brother Sheikh Hamdan. Sheikh Hamdan and Sheikh Mohammed — the third brother and hitherto the most active — may have been taken aback by this new interventionism, but if so nothing has emerged in public.

In the meantime, Sheikh Sultan bin Mohammad al-Qasimi, ruler of the neighbouring emirate of Sharjah, has finally tied up the loose ends of the failed 1987 coup attempt by his brother Sheikh Abdul-Aziz.

As part of a face-saving compromise agreement to resolve the crisis at the time, Sheikh Sultan, backed by Dubai, was reinstated, while Sheikh Abdul-Aziz, apparently supported by Abu Dhabi, was made Crown Prince but went on to live in the Abu Dhabi oasis town of al-Ain. Sheikh Sultan recently declared that Sheikh Abdul-Aziz was no longer his successor.

The announcement was regarded as inevitable, and does not appear to have angered Sheikh Zayed. The UAE President has had other matters to deal with, including his visit this year to China, Indonesia and Japan, the latter being a particularly important trading partner.

Back at home, UAE citizens in Abu Dhabi and Dubai say they notice that this already traditional society is becoming more religious, although the country has lost none of the tolerance and moderation which makes it so attractive to foreigners working in the Gulf.

If the UAE, with one of the highest per capita incomes in the world, can be said to have problems, they relate to the country's continued dependence on imported labour from the Indian subcontinent and the Far East and the mismatch between economic and political progress.

It will not be possible to give the rapidly growing number of UAE nationals guaranteed jobs in the civil service for ever, but few citizens are qualified and willing to work the hours and earn the salaries offered by the private sector. Only about 2 per cent of private-sector employees are UAE citizens, and companies would resent attempts to force them by law to employ more nationals.

Throughout the Gulf there is a striking contrast between the advanced state of economic development and the ossification of traditional political systems. Even constructive criticism of the authorities is frowned upon if it is publicly expressed, and there are fears that the sheikhs are not as accessible to the general public as they used to be.

In this regard, however, the UAE's relatively liberal leaders have less to worry about than their colleagues elsewhere in the Gulf. As for the hectic pace of infrastructural development, even the British traveller Mr Wilfred Thesiger — who once described modern Abu Dhabi as "an Arabian nightmare" — appears to have reconciled himself to the inevitable exploitation of oil, and recently visited the UAE to launch an exhibition of his photographs.

In this survey

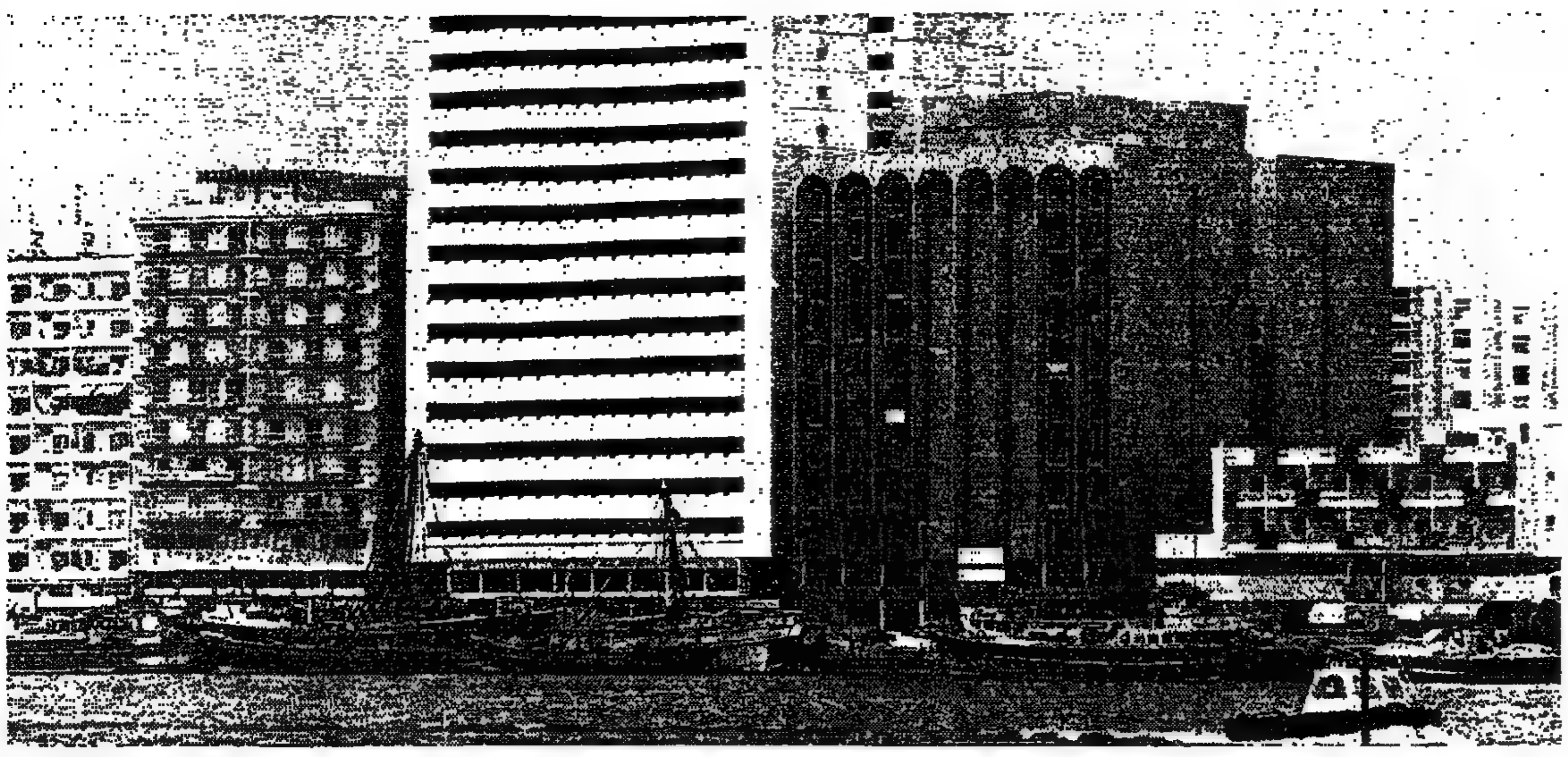
Increased business confidence brings a spate of construction projects

■ THE UAE's status as a commercial hub for the Gulf has allowed it to reap the full rewards of increased business confidence in the region, following the end of the Iran-Iraq war in 1988.

In addition to the improved performance of re-exports, the country's own industrial exports have risen, and imports have surged to supply a spate of construction projects and an affluent consumer market

□ Illustration: the gold souk, central Dubai. The pictures in this survey are by Tony Andrews

UNITED ARAB EMIRATES 2



Much of the trade with Iran is conducted by dhow from the Creek, which bisects Dubai

Non-oil trade with Iran is strengthening the boom in Dubai

Re-exports increase by 36%

THE PROSPERITY of the United Arab Emirates today was bought with oil, but it is the much older business of non-oil trade that gives the country in general, and Dubai in particular, its air of economic dynamism.

Foreign trade is booming, to the benefit of the traders themselves and the banks which supply them with financial services. The UAE's status as a commercial hub for the Gulf has allowed it to reap the full rewards of increased business confidence in the region, following the end of the Iran-Iraq war in 1988.

In addition to the improved performance of re-exports, the UAE's own industrial exports have risen, and imports have surged to supply a spate of construction projects and an affluent consumer market.

Over the past five years, Abu Dhabi – more noted for its oil wealth than its commercial traditions – has set about improving the service at Port Zayed, and seized a larger slice of the re-export cake. It is organising an international trade fair in January next year, in an attempt to prove its commercial credentials.

Dubai, however, remains the pre-eminent trading emirate, accounting for about 70 per cent of the UAE's imports and re-exports and half of its non-oil exports.

Last year, Dubai's re-exports rose 36 per cent by value to Dh6.5bn (£1bn), and in the first two months of this year they increased a further 36 per cent over the same period in 1989. Imports and exports are also rising, although at a slightly less dramatic pace.

Dubai has been so successful that some seaborne traffic has been diverted from Port Rashid – the UAE's busiest port – to the under-used facilities near the free zone at Jebel Ali, also in Dubai.

Rents in Dubai have risen sharply, because of a shortage of property (although new buildings under construction should alleviate the problem), and there are fears that power and water supplies will be stretched to the limit if the economic boom continues.

The performance of re-exports is largely attributable to a more than doubling of trade with Iran, to Dh1.57bn last year, following a relaxation of import restrictions by the Iranian authorities. About half of Dubai's population is of Iranian origin – including many of the leading business families – and there are large numbers of Iranian citizens resident in the city. The UAE has therefore become an important commercial and diplomatic bridge between Iran and the Gulf's conservative Arab states.

There are two ways of interpreting the sharp fluctuations in trade with Iran, which is conducted largely by dhow from the picturesque Creek bisecting Dubai and from the small port of Hamriya.

Dubai officials and merchants argue that Iran repeatedly tries to by-pass Dubai and buy and sell direct, to cut its costs, but repeatedly fails to match the acumen of the Dubai merchants, and is therefore forced to come back to the emirate. It is true that the traders in Dubai are adept at managing the risks of foreign exchange movements and high stocks, and are well-versed in the art of swapping Japanese machinery or American rice for Iranian carpets, pistachio nuts and caviar.

The other side of the coin, however, is that Iran has repeatedly become frustrated with the high margins taken in Dubai, and only returns to the Creek after forcing the traders to reduce their profits and charge more competitive prices. Dubai traders now complain that the Iranians, short of foreign exchange, tend to import bulky, low-margin essential items such as sugar and grain, rather than high-value consumer products. Nevertheless, thousands of Iranian shoppers fly to Dubai each month to buy televisions and other electrical goods.

Dubai's ingenuity is not restricted to the sea trade with southern Iran and the rest of the Gulf. The emirate is now seeking to expand its sea-air cargo business (largely for goods arriving from Asia for rapid onward air shipment to Europe), and its successful airport is already so saturated that the emirate of Fujairah is hoping to win some of the sea-air cargo for itself and its own almost deserted international airport. Abu Dhabi airport has already benefited from some of Dubai's overflow.

The almost invisible gold-bullion trade is immensely lucrative for Dubai. Gold imports amount to about 160 tonnes a year – a tenth of world production – but the exports, mainly smuggled to India and Pakistan, are not recorded.

It is hardly surprising that the UAE's commercial success and Dubai's freewheeling market philosophy breed resentment elsewhere. Saudi Arabia has at times obstructed imports coming in via the UAE, partly on the grounds that the emirates – competing with each other for business – charge effective import tariffs of only about 1 per cent, below the 4 per cent minimum stipulated by the Gulf Co-operation Council.

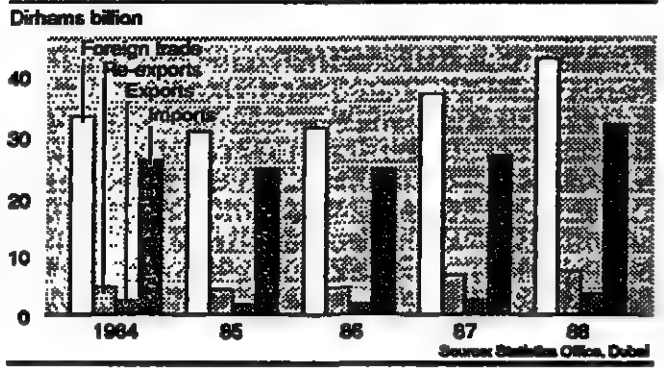
The US, meanwhile, has clamped down on garment imports from the UAE and they are now limited by quota. After 1986, more than 50 factories, mostly Indian-owned and sited in the free zones of Dubai and Sharjah, sprang up in the emirates to take advantage of the absence of US textile quota for the UAE.

Dubai has been so successful that some seaborne traffic has been diverted from Port Rashid to facilities near the free zone at Jebel Ali

Victor Mallet

UAE trade (non-oil)

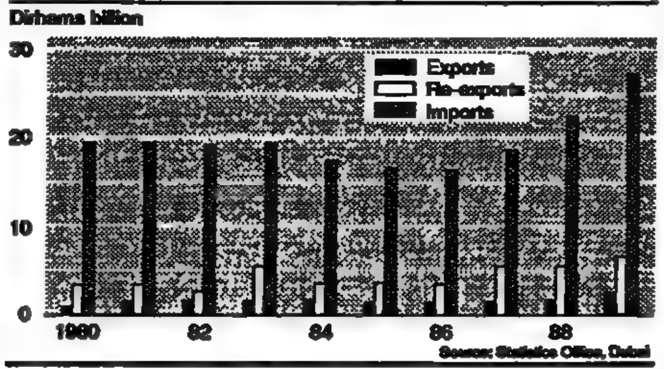
Dirhams billion



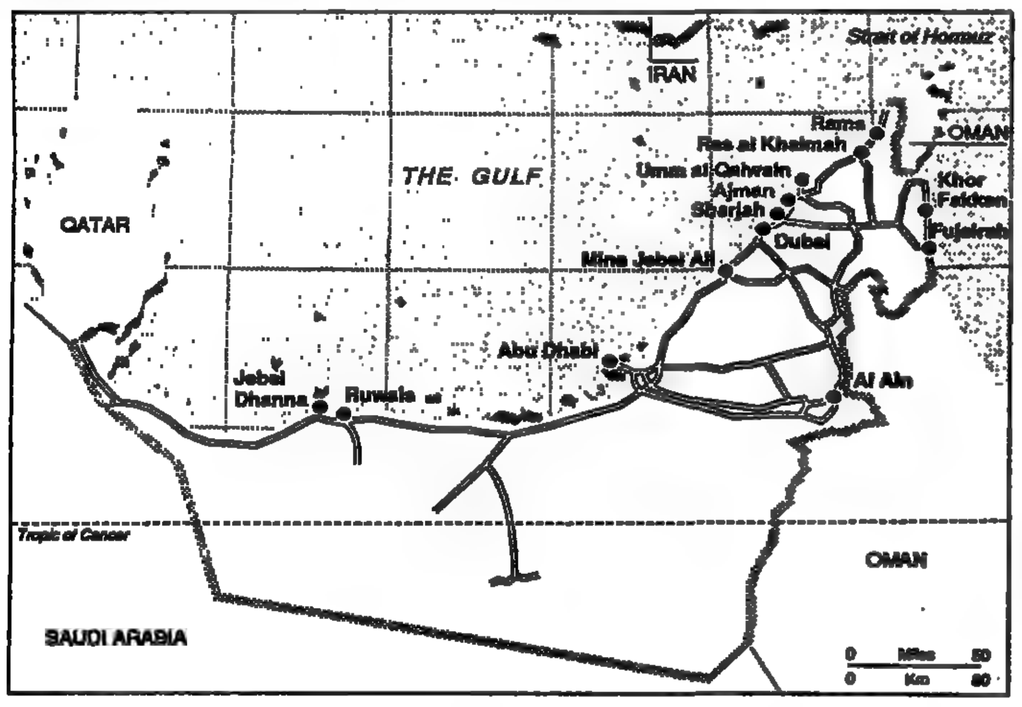
Source: Statistics Office, Dubai

Dubai trade (non-oil)

Dirhams billion



Source: Statistics Office, Dubai



KEY FACTS

Area	77,700 (sq km)
Population	2 million
Head of State	Sheikh Zayed bin Sultan al-Nahyan
Currency	100 fils = 1 UAE dirham
Average exchange rate	Dh3.671/US$ (fixed since Nov.88)

ECONOMY	1988	1989
Total GDP (US$)	23,835	26,014
Real GDP growth	-2.1%	+2.0%
Compounded annual GDP growth 78-89	n.a.	1.5%
GDP per capita ($)	16,326	n.a.
Current Account Balance ($m)	2,805	3,115
Exports incl. non-factor svcs ($m)	11,841	12,448
Imports incl. non-factor svcs ($m)	8,028	8,433
Trade balance ($m)	3,813	4,015
Trade dependency*	83.4%	80.3%
Trade balance as % of GDP	16.0%	15.4%
Inflation	5.0%	7.0%
Budget deficit as % of GDP	2.1%	1.9%
Total reserves minus gold	4,433.5	4,456.6
Crude oil production (000 b/d)	1,506	1,746
Crude oil production as % of Opec total	7.6%	8.2%
Est oil reserves (bn barrels)	97	N.A.
Estimated Gas reserves (bn cubic metres)	5,700	N.A.
Gas production (1987): 3.4m cubic metres a day.		

* Exports plus imports as % of GNP

Sources: IMF,CIA,Economist Intelligence Unit

BANKING

Competition for private clients grows

Major banks' results: 1989 (Dhm)

	Total assets	Pre-tax profit	% change on 1988
National Bank of Dubai	23,087	438	10.6
National Bank of Abu Dhabi	20,978	114	58.3
Bank of Oman	11,682	130	26.2
Abu Dhabi Commercial Bank	9,710	103	51.6
Emirates Bank International	8,508	128	80.3
BCC (Emirates)	6,223	64	10.3
BBME	4,247	120	31.9
Middle East Bank	3,821	31	40.9

Source: published reports

THE UNITED Arab Emirates and its 2m inhabitants are notoriously well provided with banks, but thriving international trade and strong demand for retail services have given the country's jostling financial institutions some room for manoeuvre.

Profits for most of the 47 local and foreign commercial banks continued to rise in 1989. Although loan loss provisions remain high, the banking sector, guided with increasing confidence by the central bank, is steadily emerging from the bad debt crisis of the mid-1980s.

"Demand for trade-related finance is healthy and growing," says one banker, in Dubai. Half a dozen banks have opened branches next to the port and free zone of Jebel Ali in the Dubai emirate. Another banker says: "It's a much healthier banking scene now. It is perceived outside as a more organised place than before, and the central bank deserves a certain amount of credit for that."

This is not to say that the problem of overcrowding has been resolved. Mr Abdul-Malik al-Hamar, the central bank governor, has made no secret of his desire to see some more bank mergers, but the association of banks with particular emirates or families makes the process exceptionally difficult.

In the meantime, the foreign banks, which once had a clear edge in technology, management skills and marketing, are seeing those advantages eroded by the rapid development of local banks. Foreign banks, furthermore, are restricted to eight branches in the UAE, and have hardly any access to the substantial deposits of the federal and emirate governments.

With the big corporate accounts largely a thing of the past, and Bahrain still dominating the offshore banking business, the focus in the UAE is on trade finance and retail banking.The banks are competing, in particular, for UAE private clients, because, unlike the members of the large expatriate community, they do not disappear after a few years.

British Bank of the Middle East, for example, is luring women customers through its doors – a difficult task in this traditional Gulf society – with "The Yasmeen Account", which offers discounts at a range of shops and a lady officer in each branch.

This ploy has already proved successful in Oman and Qatar, and the painting of a doe-eyed, partly-veiled woman portrayed on the publicity leaflets in the UAE is so striking that one male customer at BBME's Ras al-Khaimah branch has already asked for her whereabouts in order to marry her.

Banking by telephone is also taking off, and a group of four banks (Emirates Bank International, BBME, Middle East Bank and Standard Chartered) is promoting the idea of linking all the banks' automated teller machines into one network. Such a system, provisionally called the Emirates Financial Transaction Switch ("Em-Switch") would favour the smaller banks and those with a limited number of branches, but would also be a natural step for the central bank to encourage in an increasingly sophisticated retail market.

One source of concern for the banking community is that the terms of Mr al-Hamar and the central bank's board have technically expired, and there is renewed speculation that Mr al-Hamar, who is of Bahraini origin, will be replaced after more than a decade at the top.

Another worry is that the UAE's reputation will be muddied and its supervisory apparatus swamped by the imminent relocation of the Bank of Credit and Commerce International's base to Abu Dhabi from Luxembourg. European banking authorities encouraged BCCI's departure after two of its subsidiaries had pleaded guilty to drug-money laundering charges in the US, and after BCCI had announced losses of $498m in 1989. The Abu Dhabi authorities now hold most of BCCI's shares.

A third cause of concern is that some UAE banks, in the stampede for individual customers, may have lent more than such clients will be able to repay in the allotted time, although any bad debts of this sort will be a minor inconvenience compared to the lending disasters of the past.

In general, the banks have been impressed by the regulatory performance of the central bank. They say they will have little difficulty in complying with improved capital adequacy requirements, which are expected to be introduced in line with the proposals of the Bank for International Settlements in Basle. They are happy, too, that the new federal commercial companies law – first promulgated in 1984 – is finally being implemented in Abu Dhabi and Dubai.

The law should put business dealings on a more modern and professional footing by providing for the registration and liquidation of companies, although some people fear that it will introduce unnecessary red tape and, by requiring local-foreign partnerships to be converted into limited liability companies, force the banks to seek additional guarantees from borrowers.

Victor Mallet

Construction: high rents and subsidised finance are generating business

Abu Dhabi is back as a big spender

EVIDENCE of a construction boom in Abu Dhabi and Dubai is not hard to find. In both emirates building sites are scattered across city centres. Buildings which, in many cases, were put up less than 15 years ago are being torn down to make way for taller office and apartment blocks.

Spiralling rents, combined with subsidised financing for new building, has fuelled a boom in private-sector construction and generated big business for local contractors.

Multi-million dollar contracts on offer to international contractors and civil engineering consultants have also shown a marked improvement. The end of the Gulf war, relatively high oil prices and an upturn in economic confidence in the region have led to higher public-sector spending programmes in both Abu Dhabi and Dubai.

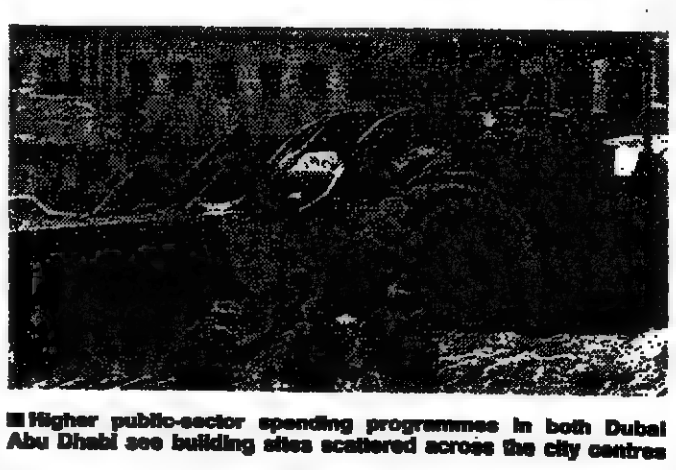
A huge man-made island off Abu Dhabi's Corniche is evidence of the emirate's return as a big spender. Nearly $300m is being spent on Lulu Island, a 5km by 1km area of reclaimed land that will eventually be a leisure and entertainment complex. It is being reclaimed by dredging the sea bed and dumping the sand in a pile.

Dredging contracts – something of a personal hobby of the ruler Sheikh Zayed bin Sultan al-Nahyan since he established the National Marine Dredging Company (NMDC) in the mid-1970s – have become a significant part of Abu Dhabi's spending programme. In recent years, dredging tenders have increased, while NMDC's previous monopoly has been relaxed to allow in international contractors.

Other dredging contracts include a Dh200m ($54.4m) contract to reclaim land in an area known as Khor Farida, for housing development, and a similar contract for increased industrial space at Masafa.

Meanwhile, five international consortia – three Japanese groups, one Italian and one German – are competing for the $1bn contract to build the 400MW Taweelah B power-station and 40m gallon a day water-desalination plant. Tenders closed at the end of May, but local civil engineering consultants say that an award is not likely to be made for some time. Taweelah B will go a long way towards solving the emirate's threatened deficit of both power and water.

Steady spending is also being made on smaller improvements to the emirate's infrastructure. New roads, intersections and bridges are all planned by the Public Works Department, to further improve communications in the modern capital city. Work on expanding Port Zayed's container terminal by the addition of two berths was recently completed, and a 40-tonne crane will be installed this month.



■ Higher public-sector spending programmes in both Dubai Abu Dhabi see building sites scattered across the city centres

Dubai, while spending less than its neighbour overall, is investing a much greater proportion of its oil income infrastructural improvement. However, local contractors have reported a hiatus in a major spending spree planned 18 months ago by the Dubai municipality after the end of the Gulf war. Amid signs of differences between Crown Prince Sheikh Maktoum bin Rashid and his brother Sheikh Hamdan, who heads the municipality, several major projects have been delayed pending reappraisal studies.

Local engineering consultants say that several key committees, which hitherto controlled infrastructure spending programmes at the municipality, have been scrapped, and that a new body based in the ruler's office reporting directly to Sheikh Maktoum has been set up to approve all new investment. "There is a new focus on value for money," according to one British contractor.

New spending now appears to be going ahead – although often in a revised form – leading to renewed hopes of an upturn for international contractors in Dubai. A 45km eight-lane motorway, linking Dubai with Jebel Ali, has been downgraded to six lanes, but is now proceeding after several months of delays. There are plans for a new Dh250m dhow harbour on the Dubai Creek, and a Dh200m bridge crossing the creek is due for tender in September.

Heading the list of large forthcoming projects is a design contract for a reclamation and marina project on the Deira Corniche, which could eventually be worth as much as Dh1bn. Meanwhile, Port Rashid, the busiest port in the country, is fully stretched and looking for approval for a Dh400m expansion.

A new 400MW power generating unit, known as Station G, has been moved from its originally planned site at Al-Mamza to Jebel Ali. Tenders for the Dh3bn project close on September 10. Station G is expected onstream in 1993, and local contractors also expect a call for tenders to install two emergency 100MW generators, to make up a shortfall in energy expected in 1991-2.

Peter Liefinck

OIL: a fact of life has been recognised

Out of quotas and into the big league

AFTER YEARS of being branded one of the Organisation of Petroleum Exporting Countries' principal quota-breakers, the UAE has achieved *de facto* recognition of its right to join the big-time league of Gulf oil producers. At an Opec meeting in Vienna last November, the UAE officially opted out of the quota system.

By giving tacit agreement to the UAE's abandonment of its quota, the other member states effectively legitimised the country's long-standing claim that its quota of a little over 1m barrels a day was far too small for a state with reserves of over 90bn barrels.

Since then, the UAE has consistently produced close to 2m b/d, bringing it into the same class of Gulf producers as Saudi Arabia, Iraq, Iran and Kuwait. Higher oil prices in the first quarter of this year, combined with consistently high production, led to a significant surge in income – particularly for the UAE's biggest oil producer, Abu Dhabi.

Throughout the process of Opec wrangling, Dubai has remained on the sidelines. The UAE's second emirate, with oil reserves a mere 4 per cent of the UAE's total, has been pumping oil at what it considers an optimum level to sustain the productivity of its oilfields. For the best part of a decade, Dubai has produced in the region of 400,000 b/d, irrespective of events at Opec. The UAE's war with Opec has been Abu Dhabi's concern, and it will be Abu Dhabi which benefits from the UAE's new freedom.

While Dubai is struggling to maintain production levels – output is expected to decline rapidly within 25 years – Abu Dhabi is looking to a future where it will hold a significantly increased world market share. Falling output from non-Opec suppliers – and from some smaller Opec producers – combined with a modest increase in energy consumption have led to a significant rise in projected demand for Opec oil.

According to Gulf International Bank, world demand for oil is expected to grow from 52m to 58.6m b/d by the year 2000. At the same time, non-Opec crude production is projected to fall from 28.7m to 25.8m b/d. As a result, Opec's market share is expected to increase from 44 per cent to 53 per cent, and Opec crude oil production is expected to rise from 22-23m to well over 30m b/d.

Gulf states figure high in the list of countries which can easily provide more crude for an oil-hungry world. Saudi Arabia has already embarked on a massive $44bn investment programme, aimed at increasing long-term sustainable production capacity to 10m b/d. Not to be outdone, Dr Mana Said al-Oteiba, UAE oil minister, recently announced that his country's capacity would be increased from 2.5m to 4m b/d "within a few years".

The 1.5m b/d extra capacity will be provided almost exclusively by Abu Dhabi.

In fact, Abu Dhabi is already working on several important expansion plans to increase long-term capacity at existing fields. Abu Dhabi Company for Onshore Operations (Adco) plans to increase sustainable production at one of Abu Dhabi's oldest fields, Murban, to 1m barrels. The field currently produces 750,000m b/d and can reach 1m only on a short-term basis. A development programme is also under way, to turn the small onshore Bab field, which currently produces 40,000b/d, into a major producing unit. By the end of the project, Bab will produce 250,000b/d.

Production at the offshore Upper Zakum field, in which Japan Oil Development Company (Jodco) has a 12 per cent stake, is also in the process of being expanded by 150,000b/d to 500,000b/d. On a recent visit to Japan, Dr al-Oteiba asked Jodco to make feasibility studies to increase the capacity even further.

Abu Dhabi National Oil Company (Adnoc) is now expected to turn its attention to discovered, but as yet undeveloped, fields. The next few years should see a boom for oilfield technology suppliers in Abu Dhabi as well as Saudi Arabia.

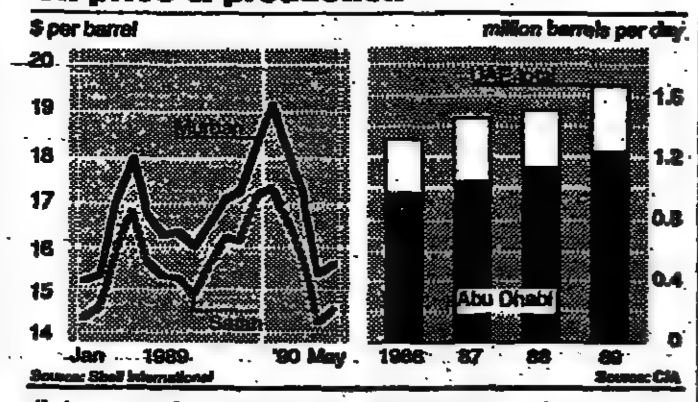
While oil is clearly Abu Dhabi's principal source of income, the emirate has successfully proved against the odds that it can sell associated natural gas which it was previously forced to flare. Despite high transport costs, Abu Dhabi Gas Company (Adgas) has been selling liquified natural gas (LNG) under a unique single-buyer agreement with Japan's Tokyo Electric Power Company (Tepco).

Although the venture may not have been hugely profitable, it has been successful enough to warrant plans for a doubling of capacity to over 4m tonnes per year. LNG provides a stable income over long periods, which complements the erratic revenue from oil; and industry sources predict that environmental concerns and a strong anti-nuclear lobby in Japan will lead to increased demand – and higher prices – for LNG during the early part of the next century.

Abu Dhabi is already working on several important expansion plans to increase long-term capacity at existing fields

Peter Lieftinck

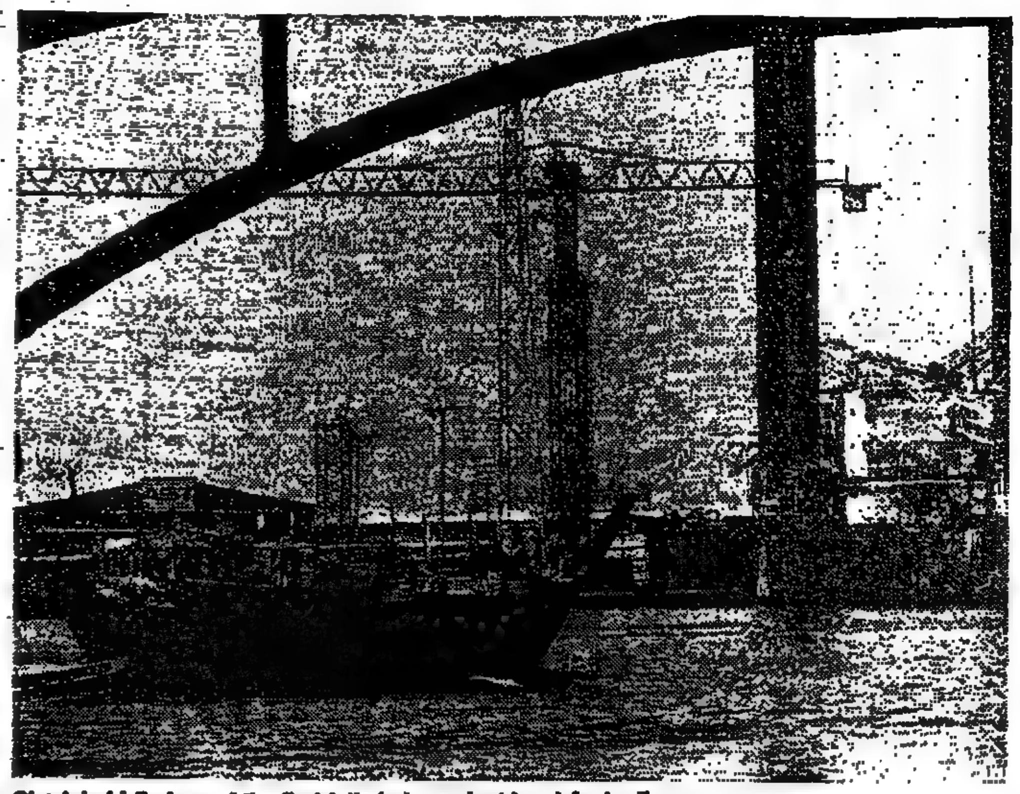
Oil price & production



Source: Shell International; Source: CIA

A regional base for foreign companies

Crescent is a star



Sharjah: birthplace of the first fully independent local Arab oil company

SINCE the oil-boom days of the 1970s, Arab countries – especially the Gulf states – have jealously guarded control over their primary source of income.

Having nationalised the bulk of the assets of foreign oil companies, Arab states established powerful state oil organisations, turning to western oil companies as and when their expertise was required. In the process, the concept of home-grown independent oil firms was left by the wayside.

So when the rulers of the small emirate of Sharjah signed an exploration concession with a small US independent exploration and production company, Buttes Resources, in 1970, they had little idea that they were paving the way for the establishment of the first fully independent local Arab oil company.

Crescent Petroleum, the new consortium headed by Buttes to explore in Sharjah, soon made a modest oil find at the offshore Mubarak field. Within 10 years the consortium, which included Ashland Oil, Getty Oil, City Services and Kerr MacGee, sold its assets in Sharjah to Mr Hamid Jafar, an ambitious young Iraqi with a British public school education. He had been employed by Buttes to help negotiate the initial exploration agreement with the local rulers, and had headed the local operating company from the beginning.

Output at the Sharjah concession started declining in 1985, and since then Mr Jafar has embarked on an ambitious expansion programme, aimed at turning Crescent into an international oil company. From its base in Sharjah, Crescent has started expanding its field of operations to other Gulf states and as far as Yugoslavia and Canada.

"Crescent is the only privately-owned Arab oil producing company," says Mr Jafar. "Our objective is to become a fully-fledged energy-related company involved in exploration, production, marketing and trading. Our main area of interest is in the Gulf and the Middle East."

Mr Jafar sees Crescent's role as a small, integrated and independent company with good regional contacts and able to move fast. With assets of close to $700m, Crescent has enough financial clout to be taken seriously by most governments in the region.

Indeed, Crescent has already signed a joint venture agreement with an unnamed Gulf government to seek downstream acquisitions in the West. A team based in London is on the look-out for investment opportunities in viable refining and marketing concerns in Europe and the US.

Crescent has already signed exploration concessions in Egypt, Yugoslavia and Pakistan. In Egypt, it is acting as operator in the East Khalda field, while in Pakistan it has farmed out part of its share in two concessions to Amoco. Crescent is now looking for more exploration rights in Yemen, Algeria and Libya.

But it is with Mr Jafar's home country of Iraq that Crescent has signed its most important contracts. It recently signed a "sponsorship services agreement" with the Government for a new 215,000 tonnes a year aluminium smelter project at Nassiriya, under which it will arrange financing and supervise the building of of the plant. Under the deal with Iraq, Crescent has also agreed to buy all of the smelter's export output, estimated at over half of total output.

Crescent, at the head of a consortium which includes US engineering contractor McDermott and France's Entrepose, is bidding for a contract for the development of the Luhais oil field in southern Iraq.

Last year, Crescent won a contract to build a $362m secondary refinery in Karachi. The project involves the construction of a 1.35m barrels per day hydrocracker and related units, which will be fed with fuel oil from two existing primary refineries. The company is also has advanced plans for several gas transmission facilities and pipelines in the Gulf, which it will build, own and operate in areas where there is strong local demand for natural gas.

Mr Jafar believes that the next decade will provide a wealth of opportunity for the private sector in the oil industry. Increasing worldwide demand for oil, combined with an erosion of Opec's excess capacity, will lead to the need for vast investments by producing countries to raise their capacity well into the next century.

"Low oil prices in the 1980s have eroded the cash reserves of producing countries," he says. "If you superimpose on that a worldwide tendency towards privatisation, you can expect the major Arab producers to open up the oil industry to outsiders."

In Abu Dhabi, a small but significant move towards increased private sector involvement in the oil industry has been under way since 1985, in the form of Star Energy Corporation. Set up by a former director of marketing at the Abu Dhabi National Oil Company (Adnoc), Mr Mussabeh al-Muhairi, Star has built up an impressive petroleum products storage facility at Jebel Ali with capacity for 2m barrels.

The company also blends 15,000 b/d of unleaded gasoline, which it exports to the Far East and to western markets, making good a severe shortfall of unleaded gasoline capacity in the Gulf. Star is planning to build a new plant to produce the non-lead chemical components needed for unleaded petrol, which at present it is forced to buy in.

Peter Lieftinck

Jebel Ali duty-free industrial zone

New arrivals must bring local benefits

FIVE YEARS after the completion of a massive port and duty-free industrial zone, 45km west of Dubai city at Jebel Ali, the Emirate of Dubai is still waiting to reap the full benefits from the $2.5bn invested in the project.

The port, reputed to be the largest man-made harbour in the world, has 67 berths and 15km of quays. It operates at a fraction of its capacity, although the recent trading boom in Dubai has led to the diversion of some traffic from Port Rashid.

The Free Zone has attracted over 200 companies, but most of the operations are small-scale manufacturing or warehousing units for regional distribution. Total investment by these companies stands at $600m – considerably less than the amount invested by the Government of Dubai. The vision of a large-scale industrial complex, based on abundant and cheap local energy which will support Dubai long after the oil runs out, has yet to materialise.

Energy, or the lack of it, is the key to the eventual success of Jebel Ali as an industrial complex. The Free Zone boasts that it can offer abundant cheap energy, but Dubai is short of both the electrical power and the natural gas needed for new energy-intensive industries. The existing power station at Jebel Ali is close to reaching full capacity, and gas supplies from offshore fields are desperately needed for reinjection into the oilfields in order to maintain pressure for crude oil extraction.

The Government of Dubai is working hard to tie up stable supplies of reasonably-priced natural gas, according to Jebel Ali chairman Mr Sultan bin Suleyam. Advanced negotiations are being held with Qatar for the supply of up to 1bn cubic feet per day of gas from the giant North Field, which is the world's largest known gas field.

Talks are believed to have stalled on the question of price. Dubai needs to ensure cheap prices guaranteed over a very long period of time if it is to attract industrialists to the area. If the deal goes through, a 400km undersea pipeline will be built by an independent consortium, possibly including British Gas, which would run and operate it.

Talks have also been held with Iran, which has large volumes of gas on offer at reasonable prices. But despite Dubai's traditional trade links with Iran, local analysts say that such dependence on Iran for energy supplies is politically unacceptable. Dubai has its own gas field at Margam with large reserves, which it wants to keep until after the oil production starts to decline early in the next century. But officials say that if talks on alternative supplies of gas fail, they will develop their own supplies from Margam.

Ironically, the closest and largest supply of natural gas is in neighbouring Emirate of Abu Dhabi. But Dubai has shied away from this source, knowing that dependence on Abu Dhabi for energy would alter the balance of power in the UAE and give Abu Dhabi the whip-hand in control of the federation.

Mr Sultan bin Suleyam is confident enough that a gas supply deal will be signed in time to attract an extra $400m in new investment before the year end. Several major projects are close to being agreed.

Meanwhile, Jebel Ali Free Zone authorities are becoming increasingly choosy about the sort of companies they allow into the area. Many of the companies recently set up in Jebel Ali have limited spin-off value for the local economy while enjoying the benefits of cheap electrical power. Mr Sultan bin Sulayem says that companies will only be given permission to set up shop if they have tangible benefits for the local economy.

New small textile operations are now being discouraged, after a period in which dozens of small, mainly Indian, garment firms began operating in Jebel Ali and the UAE as a whole from 1986, souring trade relations with the US by taking advantage of the absence of a US garment quota for the UAE. A quota has now been imposed.

In particular, Jebel Ali Free Zone is looking for companies that can bring business to the under-used port. One such operation will be a new $80m phosphoric acid plant, planned by UK-based Narmada Industries. The 500 tonnes a day plant, due onstream in the summer of 1992, will be moving 1m tonnes per year of phosphate rock and acid in and out of the port.

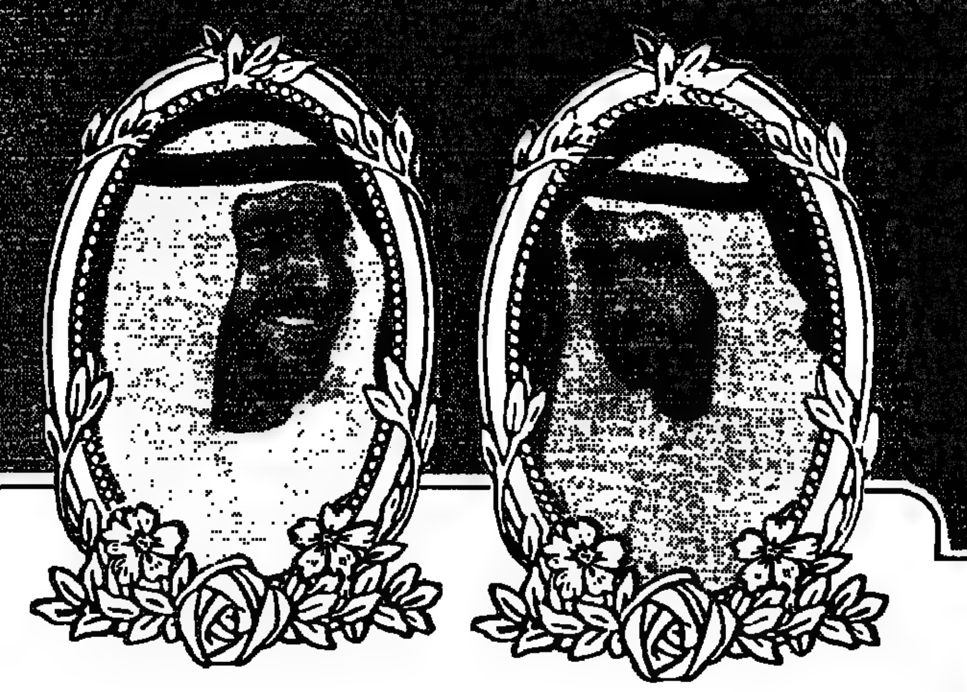
Once a gas supply is tied up, Narmada says that it will be looking to make other energy-intensive fertiliser products such as ammonia. "Jebel Ali could well turn out to become a major fertiliser-producing centre," according to Narmada's acting managing director, Mr Zakaria Eipe. "It has good infrastructure, it is well-placed for Far East markets, and it is in a region with abundant raw materials."

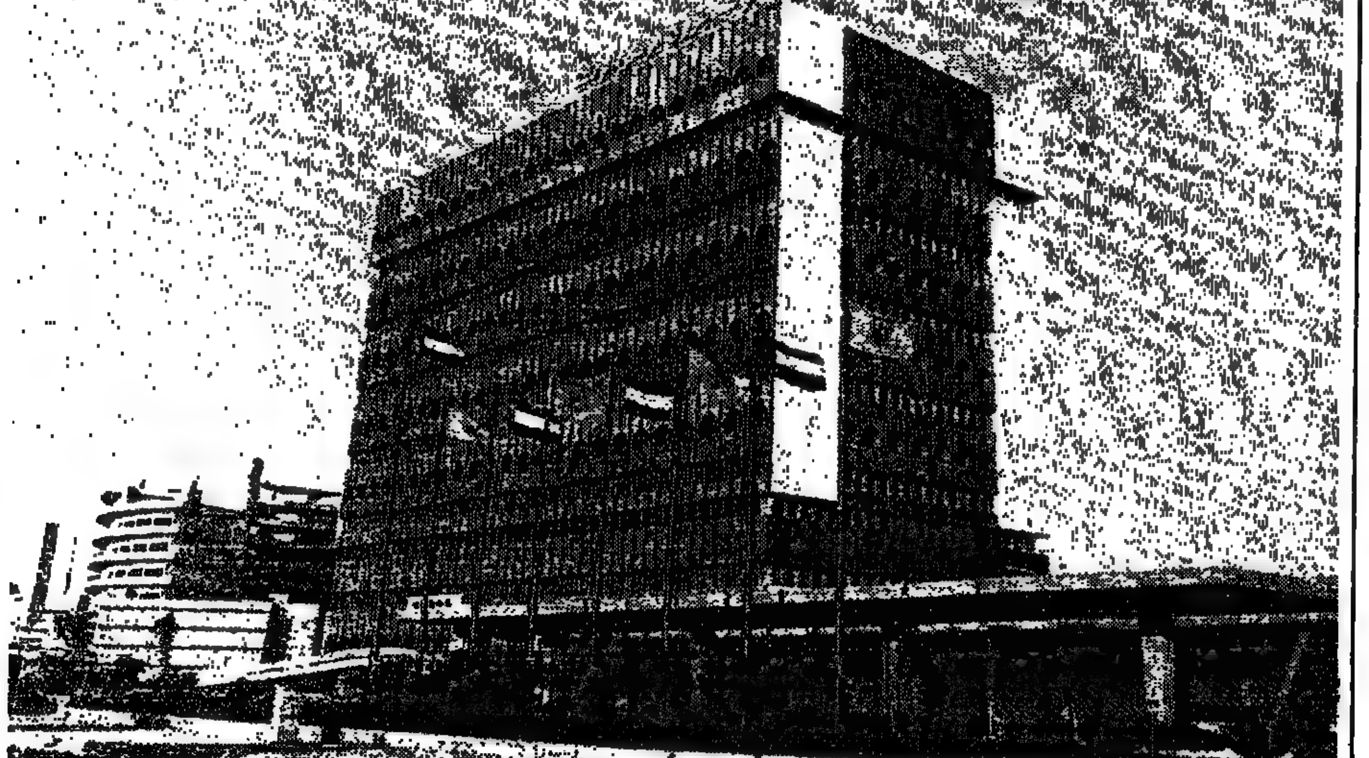
Other energy-intensive sectors which could be attracted to Jebel Ali are those involving iron and steel and special materials such as artificial diamonds.

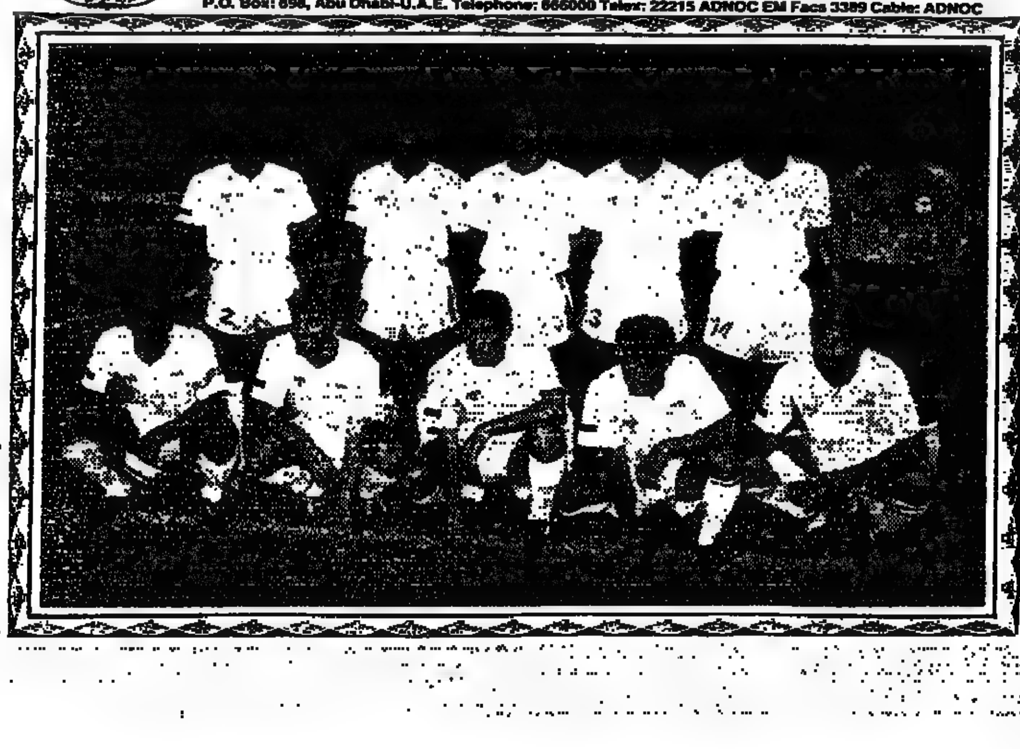
It may be slow getting off the ground, but time is on Jebel Ali's side. The project was conceived as a long-term investment by the Government, and an immediate return on capital is neither sought nor necessary. Dubai's oil will last for another 25 years, and by then Jebel Ali may have succeeded in attracting enough companies to form the base of a new economy.

The Free Zone has attracted over 200 companies, but most are small manufacturing or warehousing units for regional distribution. Total investment by these companies stands at $600m — considerably less than the amount invested by the Government of Dubai

Peter Lieftinck







TOURISM

Old Dubai lives on

A CLUSTER of houses with windtowers to catch the cooling breezes is one of the few surviving reminders of old Dubai.

Originally built by Iranian merchants, at the end of the last century, the Bastakia quarter, near the Ruler's Office on the Creek, is a testimony to Dubai's great trading traditions and an important tourist attraction.

Today, however, Bastakia is under threat, caught between the need to preserve Dubai's heritage and the attempts by local planners to modernise the city during an economic boom.

For the past two years, Mr David Otter, a British architect who lives in a beautiful old windtower house, has been fighting moves by the Dubai municipality to demolish the area for commercial redevelopment. Mr Otter's home, known as Sheikh Abdul-Rahim Mullah house, after the mullah who lived there in the early part of the century, should be close to the hearts of the ruling Sheikhs. It was here that Crown Prince Sheikh Maktoum and his brother Sheikh Hamdan first learnt to recite the Koran from the old Islamic cleric.

In March 1989, Mr Otter won an apparent reprieve for the area after inviting Prince Charles, who was on a visit to Dubai, to his house in Bastakia.

The Prince of Wales is well-known for his love of traditional architecture, and caused considerable embarrassment when he expressed his dismay about the redevelopment plans. Since his visit, evictions have been suspended, but local officials still insist that the quarter will eventually be torn down. For his part, Mr Otter was criticised by government officials and believes he has been barred from government contracts.

Ironically, local tourism officials have been sending tourists to admire Mr Otter's house in Bastakia. "If Dubai wants to promote tourism, it must keep what little architectural heritage it has," says the British architect.

Indeed, Dubai has gone to great lengths to attract tourists to this unlikely destination in the Gulf, and has – as in so many other commercial ventures – been remarkably successful. Aggressive marketing in Europe, by the recently established local airline Emirates, has filled Dubai's hotels after a long period of low occupancy rates. Unofficial estimates put the number of tourists to Dubai last year at 20,000.

Unofficial estimates put the number of tourists to Dubai last year at 20,000

Emirates' role as the main promoter of tourism was recently taken over by the newly-created Dubai Commerce and Tourism Promotion Board. "We have decided to focus on upmarket tourism and incentive travel," according to Mr Patrick MacDonald, DCTPB's deputy chief executive. "We can offer winter sun in an exotic location. In most places, exotic means roughing it. In Dubai, you have comfort and convenience."

Despite claims that it wants to attract upmarket visitors, a visit to the Chicago Beach Hotel shows that Dubai is being sold by European travel agents as a standard package destination with a slight difference. Once deserted, this 620-room hotel with a private 300-metre stretch of beach now boasts occupancy rates of over 90 per cent in the tourist season, which ranges from October to May. Most of the guests are middle-income families, principally from West Germany.

"They come for the four S's," says the general manager, Mr Michael McFadyen. "Sun, sea, shopping and security. Apart from a visit to the Gold Souk and a trip to the desert, they don't want to leave the hotel."

Of all the Gulf destinations, Dubai is the most accessible. British people do not require visas, and other tourists can have their visas arranged by their hotel.

Apart from attracting new tourists, the board is also advising the Government on measures to make Dubai a more attractive place. This year, DCTPB broke down a major hurdle in the path of tourism when it persuaded the Government to allow hotels to serve alcohol during the Moslem fasting month of Ramadan.

Local officials concede that the original drive to promote tourism came from the need to fill hotel beds after a badly-planned boom in hotel construction during the late 1970s. But the success has been such that a decision will soon have to be made on whether to build more tourist hotels out of town.

Plans are already under way for the construction of several new business hotels close to the town centre. According to Mr John Lewis, managing director of Emirates Bank International and a board member of DCTPB, there is an urgent demand for more beach resort hotels which can cater to the needs of both business and pleasure.

The souk, Sharjh: shopping is a growing tourist attraction

However, local hoteliers, fearing increased competition for a limited number of tourists, caution against a renewed hotel-building spree. They argue that Dubai will never be a mainstream destination, and that it should be content with the success it has had to date.

Meanwhile, Abu Dhabi can also boast limited success in promoting tourism. Abu Dhabi National Hotels Company, a local joint stock company which either directly owns or operates seven first-class hotels in the emirate, expects 7,000 European tourists by the end of the current season. A further boost to tourism is expected next year, when the German charter airline, LTU, starts twice-weekly flights to Abu Dhabi.

Peter Lieftinck

Emirates: **Peter Lieftinck** profiles the region's youngest airline

Bravado upset the neighbours

THE REGION'S youngest airline, Dubai-based Emirates, has consistently been voted the area's best carrier.

And to its credit, since it was established in 1985, Emirates has proved to be a both efficient and pleasant airline by any standards.

Spurred on by Dubai's success in establishing itself as a regional business hub, Emirates has embarked on an ambitious expansion plan. Starting this month, the airline will supplement its flights to Europe and the Indian sub-continent with new flights to Singapore, Bangkok and Manila. Further ahead, the airline is looking to increase flights to other Pacific Rim countries.

Emirates has already been identified by local bankers as an important source of business, despite the fact that it refuses to disclose any significant details of its financial performance when it borrows money. □

The airline has already taken out two separate syndicated loans to finance the purchase of new aircraft worth over $200m.

It is fast becoming one of Airbus Industrie's best clients in the region. The Emirates fleet already includes two A310-300 and one A300-600R, and this month the airline takes delivery of the first of six new Airbuses to be delivered by 1993.

By setting up its own airline in a characteristic act of commercial bravado, the Dubai Government was perceived by its Gulf neighbours – particularly the fellow UAE emirate of Abu Dhabi – to be undermining the four-nation consortium airline Gulf Air. As a result, Emirates has been denied landing rights in Gulf Air's home bases – Abu Dhabi, Bahrain, Doha and Muscat – thus hampering its attempts to set itself up as the carrier for a regional hub in Dubai.

But it already flies to Kuwait and Saudi Arabia, and plans to fly to Baghdad by the year-end. Plans for a regional sea-air cargo hub will get a boost from a new cargo village, shortly to be opened at Dubai airport. □

By successfully developing the Dubai tourist market, Emirates boasts occupancies on its European sectors which are higher than other regional airlines'. And in negotiating passenger rights for sectors not originating or ending in Dubai, Emirates believes that it is insuring itself against any downturn in Dubai's economic prospects.

Fujairah is a modest emirate, with the world's smallest Hilton

Strategic port still growing

THE STREET-lighting ends as you drive from Sharjah into Fujairah, increasing your chances of hitting a camel on the road by night and confirming that you have entered a modest emirate without oil or gas revenues.

Fujairah, like the other poor relations in the UAE, Ajman and Umm al-Qaiwain, lives in hope that it will one day find the hydrocarbons enjoyed by its more fortunate neighbours, but in the meantime it has pursued prosperity by other means, including industrialisation, the development of sea and air cargo services for the region, and tourism.

A quiet and friendly place, Fujairah boasts the world's smallest Hilton International hotel, with 87 rooms.

Fujairah and its 60,000 inhabitants benefit from the infrastructure and the generous welfare state provided by UAE federal funds, but the jealous exploitation of oil and gas reserves by the individual emirates for their own ends leaves Fujairah partly dependent on its own resources and on the largesse of Abu Dhabi and Dubai, the two most powerful emirates.

On a recent visit to Fujairah, Sheikh Zayed bin Sultan al-Nahyan, the ruler of Abu Dhabi and UAE President, called for the building of 400 houses at his expense. His son Sheikh Khalifa ordered a further 150. Abu Dhabi has lent Fujairah some Dh500m (£80.5m) through the Abu Dhabi Fund, and is now paying for a water system and a 1m gallon a day desalination plant, while Dubai is funding another 2m gallon a day project.

These are generous gestures, typical of paternalistic Gulf society, but generosity is unpredictable. Sheikh Hamad bin Mohammed al-Sharqi, the ruler of Fujairah, has prudently supported the federation at the same time as seeking to win a measure of economic independence for his emirate, even if he has to use borrowed or donated funds to do so.

Probably the most successful of Fujairah's projects has been the port, which was built from scratch and began operations in 1984 at the height of the Gulf war. Strategically placed, outside the hazardous waters of the Gulf on the UAE's east coast, Fujairah quickly became a chandlering, bunkering and repair centre for tankers waiting to enter the Strait of Hormuz.

The Gulf war ended with a ceasefire in 1988, but Fujairah port continues to expand. It is now the third busiest container terminal in the Gulf region, although some residents are concerned about pollution and what they see as the shortage of direct financial benefits for the emirate. Others fear that Fujairah may be over-dependent on American President Lines, which uses Fujairah as a transhipment point for the Middle East and the Indian subcontinent.

Fujairah's gleaming international airport, opened in 1987, is still too quiet for comfort, although there are now six scheduled passenger flights a week and the beginnings of a promising sea-air cargo business. A joint venture between Aeroflot of the Soviet Union and a group of Dubai investors is flying cargo from India and the Far East into the Soviet Union.

Like Ras al-Khaimah, Fujairah has become a centre for the production of building materials, which are exported to the Gulf and beyond, and sold to other emirates in the UAE. "We have nice mountains," jokes one enthusiastic local businessman. "We can blast away, crush them up and use them for aggregates and cement." Fujairah companies – generally controlled or encouraged by the Government – produce everything from rockwool to marble and ceramic tiles.

Fujairah and the other poorer emirates are reaping the benefits of the economic boom in Abu Dhabi and Dubai and the improved confidence in the Gulf as a whole after the war. Building materials are much in demand for new offices and homes, and Dubai's success as a trading entrepôt has substantial spin-off benefits for Fujairah and its neighbours. Much of Dubai's outgoing air cargo, for example, comes through Fujairah port, and tourists on a trip to Dubai find good beaches and rugged scenery in Fujairah.

Dr Salem Abdo Khalil, technical adviser to the Government, regrets that his dream of an oil pipeline to Fujairah from the Gulf (bypassing the Strait of Hormuz) and a refinery to go with it have not been fulfilled. But he is aware of Fujairah's financial limitations and must promote the Fujairah free trade zone – which has so far attracted four companies – and other facilities as best he can. With Dubai's Jebel Ali port and free zone spending heavily on publicity, he says: "We go behind quietly and say 'we are just like that!'"

One measure of Fujairah's relative poverty is the number of power-cuts. Such infrastructural problems can ultimately be resolved with the help of the UAE or its component parts, but whether Fujairah can reap good returns on large investments in industry, agriculture or the service sector is an open question. Fujairah's retail market is so small that it is largely serviced by Dubai wholesalers, and the inhabitants of the emirate, having abandoned the traditional pursuits of farming and fishing, are usually content to take the easy government office jobs available to UAE citizens.

Sheikh Hamad is enthusiastic about farming and has a herd of Jersey cows to provide Fujairah with fresh milk. The emirate's agricultural and industrial potential, however, is restricted by shortages of power and water and the nature of the climate.

The Siji Greenhouse Company, a Dh25m investment which began three years ago with the help of the Abu Dhabi Fund, produces house plants and cut flowers for the Gulf market, but the harshest summer months are so hot and humid that they render the evaporation cooling system for the greenhouses virtually useless.

Victor Mallet and Peter Lieftinck

Sylvestra Le Touzel, Phelim McDermott and Sian Thomas

The Illusion

OLD VIC

The theatre has been described as a madhouse, with the opera house as a wing for the incurables; to which one can only adapt George II's response when warned that Wolfe was mad: "Then I wish he would bite some of my other generals."

Opera has been spreading its contagion in British straight theatre for a few years now with results of wonderfully unbridled exuberance. The producer Richard Jones is a case in point. His *Love for Three Oranges* combined elements of fairy-tale and comic strip, cartoon and grand guignol.

Again he has come up with a like-minded designer – Nigel Lowery, with an all-opera track record – to unfold a tale within a tale with the aid of slanting angles, trick perspectives, and the paraphernalia of flexible theatre, all underlining the irony of the author Corneille's establishment of the rigid straitjacket of French classicism: something of a Frankenstein monster that its advocate later regretted.

Cracks meander from a circular hole in the backdrop where a globe constantly turns: a huge bloodshot eye, in fact. The idea of vision dominates the plot, beginning with the magus that Pridamant (the excellent Stuart Richman) consults in search of his runaway son.

The magician appears purple dinner jacketed and, in the person of Rosalind Knight, as androgynous as all seers from Tiresias onwards. He/she conjures the apparition of long-lost Clindor's amorous tangle, complete with cowardly braggadocio and pert maidservant, familiar from *commedia dell'arte*. The action is punctuated by comments from the two watchers, occasionally revealed sitting in a row of theatre seats or on a cloud peering at the distant earth or even in a model of the Old Vic itself.

The story unfolds with glancing use of puppets, models, and mime to sound effects – as when a manservant shaves his master with invisible but audible soap and water, stropped blade and rasping bristle, gargling and spitting, all to synchronised offstage sound. Almost glittering swordplay is conducted without blades; invisible watchdogs strain at unseen leashes. The last act moves into heroic, then tragic, mode, with real steel under visible falling snow. The heartbroken father sees his son run through; but one more surprise awaits us as from the back we see the company taking its bows in a cut-out proscenium.

As they "found freedom less rewarding than they thought, they took up acting as a last resort." "I'd rather he was dead," snorts the disgusted parent. Ranjit Bolt's fluent translation uses rhymed couplets, not the traditional French alexandrines but familiar English pentameters, a sensible decision that lightens the texture and speeds the pace.

The beautifully stylish Sylvestra Le Touzel's scheming maid (turning round to reveal her long black dress cut away to a miniskirt behind, another form of proscenium) makes the most of her Despina-like couplets. She, Duncan Bell and Sian Thomas are not at all fazed by the last act's mock-Jacobean (or Drydenesque) resonances with which Mr Bolt conveys the drama within a vision within a play.

One final layer is peeled away. The father reconciled to his son's theatrical career, the theatre's back wall is exposed, and through a door the traffic in the Waterloo Road is glimpsed, a last glimmering image on the dark stage, reality and fantasy comfortingly combined, assuring us that magic is just round the corner.

Martin Hoyle

TELEVISION

Rules for life, Polish style

The Poles are reminding us what good, serious, entertaining television drama looks like. On Sunday BBC2 reached the halfway stage in *Ten Commandments*, a sequence of ten 60-minute modern dramas created in 1988 by Krzystzof Kieslowski, inspired by, or loosely based upon, or anyway somehow connected with, the rules for life given to the Jews by God via Moses. We are invited to match up a different commandment with each story but, having watched all ten, I suspect Kieslowski has good reasons for refusing to say which is which.

In some cases there is no doubt. This week's work, subtitled "A Short Film About Killing," which has been extended to movie length and shown to acclaim in the cinema, was clearly concerned with the commandment "Thou shalt not kill". Kieslowski obviously takes the sane and compassionate view that this ought to mean what it says, a belief he manifests by uncompromisingly illustrating both the pointless murder of a guiltless (though, typically with Kieslowski who is deeply aware of man's ambivalence, and rarely draws in black or white, not very likeable) taxi driver by a mindless yob, and the ruthless ritualistic killing of that mindless yob by the state hangman.

In other cases it takes time for the relevant commandment to become apparent. For example the opening work, one of the best of the lot, is about a university lecturer and his small son, both of whom dote upon computers. The central concern is the father-son relationship which has rarely been depicted on television with greater sensitivity, the acting from the boy, played by Wojciech Klata, being quite astonishing (particularly the moment when he tells of the dead dog and tears well up in his eyes – eat your heart out Shirley Temple) as is the acting from the small girl who plays Ania in drama No. 7.

Kieslowski's other main interest in his first story is the relationship between religious and scientific understanding or, remembering that this is Poland, between religious and secular power. The outcome is deeply sad: father and son put their faith in the computer's assurance that the ice on the lake will bear the boy's weight, but it breaks and he drowns. In the end it seems that the commandment in question is "Thou shalt have no other gods before me," though this takes a while to emerge.

In drama No. 2 it becomes clear that the thread linking all 10 stories is the block of flats where the characters live. One of the residents, a doctor, is pestered by another, a worried looking woman, to reveal the true condition of her husband who is seriously ill in hospital. Previously unable to conceive, she has become pregnant by another man but so loves her husband that, if he is to survive, she will have an abortion. What should the doctor tell her? There are surely two commandments here with equal claims: Thou shalt not kill, and Thou shalt not commit adultery. We may discount the first on the grounds that it is so clearly the one behind this week's work, but then it turns out that drama No. 9 is concerned even more centrally and vividly with adultery.

As the series progresses it becomes difficult to believe that Kieslowski, who directed and co-scripted all ten, was concentrating exclusively on one commandment in each case; and at the end it is hard to think of any which illustrate commandments 3 and 4 ("Thou shalt not take the name of the Lord thy God in vain" and "Remember the sabbath day to keep it holy" etc). This is hardly surprising since it would have been limiting and contrived to devote 60 minutes to those commandments which have proved least universal and timeless.

The matching game is, anyway, pretty pointless, the impressive aspect of this series being Kieslowski's profound concern with the way in which we govern our lives today in a moral sense. There are reminders that this work was done "behind the iron curtain" at a time when that phrase still had a powerfully significant meaning, but they are nearly all material reminders: drabness, unattractive and old fashioned cars, and so on. Apart from occasional references to the Catholic church, in moral or spiritual terms the stories might just as well be set in Wendover as Warsaw. Yet we would not expect British television (not in the 1990s, anyway, though matters were different in the '60s) to deal in this manner with these sorts of subjects.

Next week's story, No. 6 – another which has been expanded for cinema release, this time under the title *A Short Film About Love*, and has also won awards – deals delicately, humorously and sympathetically with topics which, in Britain, would be treated either as "dirty" and thus condemned, or as exploitation material and thus handled coarsely and crassly. The hero is a young peeping tom, the heroine – subject of his attentions – *is a bit of a tease* (known as a "PT" in my schooldays) – and the story reaches its all too literal climax with a pathetic example of premature ejaculation. It is almost impossible to imagine British television dealing with such subjects without either sniggering or leering.

Doting on computers: Henryk Baranowski and Wojciech Klata in the first episode of Krzysztof Kieslowski's 'Ten Commandments'

Nor is it possible to imagine today a British version of No. 7, about a dominant mother forcibly "adopting" her teenage daughter's child, and the consequent "tug of love" between two women, which was not obsessed with feminism. In Kieslowski's treatment, as in all his work throughout this series, there is only one "ism" apparent and it is not feminism or Marxism or even socialism, but humanism. Despite the title, Kieslowski's writing is rational rather than religious. There is no difficulty in fitting his work into a pattern of influences with predecessors including such people as Dostoevsky, Shaw and Skolimowsky, and there is nothing pretentious about mentioning his work in the same sentence as theirs.

It is a pity to have to say it, but we should be enormously grateful to the BBC's purchasing department for bringing us *Ten Commandments* from Poland because (leaving aside Dennis Potter who is such a different sort of writer) it seems that we have nobody in Britain today who can create this sort of television drama.

*

Whatever you miss on television this week, do catch tonight's *Dispatches* at 8.30 on Channel 4: it is an outstanding piece of "Sez who?" journalism. That bright, clear-thinking producer/director Joan Shenton looks at the panic-mongering and special pleading which has characterised so much of the previous material about Aids amongst broadcasters ("It's time to be frightened again" wailed the BBC's Social Affairs Editor, Polly Toynbee, 18-months ago. "The infection and death figures still multiply." And "heterosexuals have reverted to pre-Aids habits. Until everyone knows someone, or knows of someone, who has been infected they simply won't believe it could happen to them") takes that sort of journalism by the neck, shakes it vigorously, and sets off to see what the calm thinkers outside the multi-million dollar research lobby are saying.

The result is eye opening. It seems that HIV may not be the cause of Aids at all. It may well be that Aids is not an infectious disease. Over-use of drugs, not just among addicts, may have much to do with the syndrome. The programme may leave you wondering about the apparent high incidence of something looking like Aids in Africa, but after all those other programmes which were primarily concerned with not offending homosexuals (in their emotional approach much like the BBC's recent outburst on environmentalism) it is encouraging to find that there are still proper television journalists around, working with discipline, and with minds not warped by sentimentalism. The programme provides powerful reinforcement for the assertion expressed repeatedly in this column for more than three years – that all the most reliable evidence suggests it is extremely difficult for normal *non-addict heterosexuals* to acquire Aids.

Christopher Dunkley

Eurydice

MINERVA STUDIO, CHICHESTER

For the second time in its Minerva season Chichester looks to the French, this time with a fascinating piece from Jean Anouilh which recalls this theatre's championship of the author in years gone by.

Written in 1942, two years before the more famous *Antigone*, and given its British première as *Point of Departure*, it wraps the myth of Orpheus and Eurydice around the familiar Anouilh themes of heroism and the refusal to compromise.

Whereas the stakes in *Antigone* are political, here they are simply romantic. Orpheus and his father are street buskers, Eurydice a two-bit actress; they meet by fate in a station cafe where she is awaiting departure for the next provincial rep and he for the next town. Against a backdrop of transit and impurity, the lovers find their perfect moment: in a hotel room of snatched passion and illicit lechery they consummate their love.

Penny Brown's setting of rose-papered bedroom flanked by the dingy browns of railway catering is as atmospherically French as Anouilh's emotional premises – and quite rightly so, since the intensity of his lovers emerges strangely through the clipped diction of wartime English, which is demanded by Peter Meyer's meticulously dated translation.

But this is not *Brief Encounter* nor was it meant to be, although one could imagine that resonance carried it through its British première, with Dirk Bogarde, in 1950. Director Michael Rudman has quite rightly avoided obvious romantic casting, selecting a Eurydice, in Shirley Henderson, who is girlish in looks and piping in voice, forcing one to confront the adolescence of her emotions, while William Oxborrow sustains the tremulous passions of the young Orpheus with a remarkable dignity.

Around them, Rudman has planted a cacophony of caricatures – from the brazen sexuality of Patricia Brake as Eurydice's mother, to the sad seediness of Peter Halliday as Orpheus's father, exemplars of life at its most ignobly ordinary.

Half in and half out of their ranks stand the enigmatic figures of the hotel waiter (a greasily, apologetically nosy Milton Johns) and Monsieur Henri, self-appointed agent of fate played, with an exquisite restraint by Théâtre de Complicité's Simon McBurney in a scarcely visible nod to a tradition of metaphysical clowning.

It is Monsieur Henri, ferret-featured and rubber-limbed, who presents the play's manifesto and facilitates the movement of the myth. It is he who, scarcely acknowledged, stands between Anouilh's overlong philosophical wrap-up and an audience which, the premature clapping would indicate, had expected the play to end, aesthetically and comfortably, with Eurydice's second death.

Claire Armitstead

Kent Nagano

BARBICAN HALL

Sunday's concert by the London Symphony began with the British première of Toru Takemitsu's *A String around Autumn*, a gentle viola concerto. In his orchestral evocation of the equinox, Takemitsu closes the gap between himself and late Delius until it's all but imperceptible, while the viola (here Nobuko Imai, simple and sensitive) hums to itself nostalgically. There is some soft piling-up of chords *à la* Berg and a brief, more forward cadenza, discreet enough not to disturb conversation. As refined, very upmarket Muzak, *String* has real potential.

It went down easily as could be, but twenty minutes later we were hungry again – which was the cue for Mahler's Ninth Symphony. Again the conductor was the young Japanese-American Kent Nagano, admired here for his brilliantly honed account of Messiaen's *Saint François* and some good work with the London Sinfonietta. In prospect, a Mahler Ninth from him seemed an uncertain quantity; one expected intelligence and high polish, but the huge challenge might well have been premature. In fact it made a breathtaking experience, and it testified equally to Nagano's superlative command of the orchestra, *his penetrating sympathy* for the Mahler tradition and his immediate musical instincts. The latter showed everywhere, in his unerring control of pace and climax – securely achieved, balanced and powerful, never shrill except where the music demands it. Nagano had also the secret of lean late-Mahler sound, from the preludial bars of the *Andante comodo* (calculated to a hairsbreadth) to the dying fall of the Adagio, which he drew out with such tensile delicacy that three separate coughing-fits among the audience couldn't spoil it. Those outer movements were spread out in full breadth and depth: this was a "young man's Ninth" only insofar as it was overtly passionate, not through any raw haste or flashy attack.

The LSO played magnificently for him. In the Andante their intertwining strings were translucent and tender beyond their own best standards, and the great cruces of the movement were thrilling. Nagano secured fantastic clarity for the tangled Rondo-Burleske and an inspired dramatic bridge from visionary Trio back to savage Allegro; if the preceding *Ländler* movement lacked a crowning touch of malice, its imaginative variety got maximum value.

The precocious Nagano is an orchestral technician of the first order, and now he has proved his musical range beyond argument. Besides Simon Rattle, I've heard no other maestro of his generation displaying such mature authority and such open-ended promise. *Grand Old Man being nowadays* in short supply, I should think that any great orchestra needing a permanent conductor would do everything possible to acquire him: it would look like a bold gamble, but it wouldn't be any such thing.

David Murray

Swan Lake

COLISEUM

Swan Lake has long since ceased to be a ballet. It is a fantasy about how ballet companies understand the art they supposedly serve, a means of identifying themselves, at worst a miserable fraud, and at best, a thrilling study in the lyric possibilities of classical dancing. For the Kirov Ballet, who alone in the world now know how to dance it, *Swan Lake* is a ritual whose relevance is preserved through loving devotion to style and to the significance of the central ballerina role.

The ballet's action, its incidental characterisations, have been reduced to a potent essence by the Kirov: nothing is explained in fussy mime; no-one on stage feels they have to justify their presence with ceaseless mumming, and Igor Ivanov's scenery is ideal in its discretion and evocative simplicity. The scene is thus set for the real matter of the performance, which is the Kirov's impeccable understanding of the evolutions of the corps de ballet, of the fire of the national dances (the way the third act mazurka is presented is one of the marvels of ballet in the world), and of the art of the ballerina who must inspire the evening.

On Monday night, when the Kirov brought their *Swan Lake* into repertory, all these matters fell into splendid place. It is of no significance that the text is less historically accurate than that proposed by the Royal Ballet. The *blessed* legion of Kirov swans, the gracious courtiers, the national dancers - even that damned jester – were impeccably right, and at the heart of the proceedings there was Olga Chenchikova as Odette/Odile.

I fell under Chenchikova's spell when she first appeared as a radiant girl with the Kirov in Paris in 1977. She is now a ballerina in the full plenitude of her powers. Her manner is grand – none grander in womanly dignity and opulence of physical means – her dancing majestic in its nobility of pose. As Odette she is an Ingres, the fires of the Swan Queen's tragedy banked under the formal beauty of her dance and of her physique (she is a notably lovely woman). Her second act might be thought "old fashioned" in its insistance upon stylistic purity – it seems to hark back to an earlier generation of Petersburg/Leningrad performance, to Marina Semyonova and to Alexandra Danilova (memories of whose performance were awoken by Chenchikova's elegance of means). The rewards are tremendous. The choreography has both expressive integrity and richness of dynamics as the dance is poured out like some heavy, potent liquor. As Odile, Chenchikova is transformed into a being of demonic energy, blazing with every virtuoso trick. And yet, despite the massive bravura, Kirov style controls every movement and the reading is both dazzling and consistent with her Odette. No Siegfried could resist this enchantress, and certainly not Makharbek Vaziyev, her partner on Monday night. Chenchikova's commanding art needs a Prince of comparable physical and spiritual power, and Vaziyev is altogether too modest for the role.

For the rest there was a most attractive trio from Yelena Pankova, Irina Chistyakova and Grigory Chicherin, and as ever, Viktor Fedotov, that Prince among ballet conductors, nursed the dance and the music. But he, and we, really need the Kirov orchestra to give *Swan Lake* its true splendour, that splendour everywhere apparent in Chenchikova's performance.

Clement Crisp

ARTS GUIDE

June 8-14

THEATRE

London

Anything Goes (Prince Edward). Cole Porter's silly ocean-going 1930s musical has Elaine Paige *failing to emulate Ethel Merman*. Jerry Zak's desperately bright production comes from the Lincoln Center in New York and is undemanding fare (734 8951, cc 836 2428).

Jeffrey Bernard is Unwell (Apollo). Tom Conti is the alcoholic journalist. Keith Waterhouse has stitched a fine play, the season's highlight, from Bernard's own writing. Ned Sherrin directs (437 2663).

Aspects of Love (Prince of Wales). Andrew Lloyd Webber's latest is an intimate chamber operetta. Musically interesting and well directed by Trevor Nunn, a cast of unknowns project the right sense of sybaritic insouciance. (839 5972).

Shadowlands (Queen's). Weepie about the love affair between crusty Oxford writer C.S. Lewis and the cancer-riddled American poet Joy Davidman, which pushes both Nigel Hawthorne and Jane Lapotaire into the awards stakes. William Nicholson's play is irresistibly emotional. Elijah Moshinsky's direction is superb (734 1166/439 3849).

The Wild Duck (Phoenix). Peter Hall's revival of Ibsen's tragicomedy champions the great Norwegian's humorous potential. Alex Jennings heads the cast. (071 240 9661).

Absurd Person Singular (Whitehall). Robust revival of early Ayckbourn comedy, directed by the master himself, about three couples in three kitchens over three Christmases, in a production which confirms Ayckbourn's early bleakness (071 867 1119).

Henry IV (Wyndham's). Pirandello's cat's cradle of fantasy and reality, identity and time in a production by Val May. Sarah Miles left the cast, but Richard Harris stayed to give a star performance as the nobleman who thinks he is an 11th century king (071 867 1116).

Vanilla (Lyric). Heavy-handed satire on New York super-rich and US-backed overseas dictatorships, directed by Harold Pinter, with a cast including Sian Phillips, Joanna Lumley and Gwen Humble, who do New York writer Jane Stanton Hitchcock prouder than she strictly deserves (071 437 3686)

New York

Cat on a Hot Tin Roof (Eugene O'Neill). Kathleen Turner, whose statuesque good looks embody Tennessee Williams' vibrant character Maggie, is surrounded by an excellent supporting cast in Howard Davies' production.

Grapes of Wrath (Cort). The Steppenwolf company's interpretation of the Steinbeck epic novel brings alive the 1930s in its squalour as well as its test of human strength. Gary Sinise as Tom Joad stands out in Frank Galati's adaptation.

Heidi Chronicles (Plymouth). Wendy Wasserstein's award-winning drama covering 20 years in the life of a successful American baby boomer goes from support for Eugene McCarthy's presidential aspirations to electoral ambitions in the 1980s. (239 6200).

Gypsy (St James). This 30th anniversary production does more than revive a rich, vivid musical; it also introduces a new belter in the Merman tradition, Tyne Daly, as the bossy, tireless and tuneful Rose, who shamelessly leads her daughter into burlesque while rejecting a personal life for herself (246 0102).

Grand Hotel (Martin Beck). Tommy Tune, Broadway's present musical doctor, directs this remake of the Garbo film in an elegant, but somewhat random setting (246 0102).

Sweeney Todd (Circle in the Square). An intimate production of the Sondheim-Wheeler musical in contrast with the elaborate original a decade ago emphasises the descent into madness of Bob Gunton as the demon barber of Fleet Street (239 6200).

Jerome Robbins' Broadway (Imperial). Anyone attracted by the notion of three hours of film trailer previews will adore this compendium of Robbins' directed and choreographed plays of the past 40 years, including *On the Town*, *West Side Story* and *Gypsy*. The lustre of the credits is dimmed by the brevity of each piece, with a contemporary crew of Broadway aspirants who lack the multi-talents that inspired the heyday of the musical.

Cats (Winter Garden). Still a sell-out, Trevor Nunn's production of T.S. Eliot's children's poetry set to music is visually startling and choreographically feline (239 6262).

Les Misérables (Broadway). The magnificent spectacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway lessons in pageantry and drama (239 6200).

Phantom of the Opera (Majestic). Stuffed with Maria Bjornson's gilded sets, Phantom rocks with Andrew Lloyd Webber's haunting melodies in this mega-transfer from London (239 6200).

Washington

Starlight Express. Andrew Lloyd Webber's roller-skating musical slides into Washington on its national tour. Kennedy Center *Opera House* (467 6700).

Chicago

Steel Magnolias (Royal George). Ann Francis and Marcia Rodd play the leads in this view of southern life from under the dryers in a busy hairdressing establishment (988 9000).

Tokyo

Kabuki. The National Theatre (265 7411) has a "kabuki classroom" that consists of a lecture demonstration followed by one of the most famous plays in the repertoire, *Kanjincho (The Subscription List)*. An excellent introduction to kabuki. At Kabuki-za (541 3131).

Peer Gynt (in Japanese). Japan's most famous director, Yukio Ninagawa, best known for his samurai *Macbeth* and *noh Tempest*, tackles Ibsen's "unstageable" masterpiece, with a cast headed by a popular young rock singer. Aoyama Theatre (201 7777).

A Man Called Macbeth. One of Japan's best fringe groups, Daisan Erotica, in a wild and visually exuberant adaptation (in Japanese) of Shakespeare's tragedy. Tokyo Globe (Wed-Sun only) (360 1151).

SALEROOM

Taiwanese go for romance

A very romantic Edwardian painting by Thomas Gotch, "The Message," which portrays his daughter, in the role of the Virgin Mary, being alerted to her future by an Angel in a field of poppies, sold at Phillips yesterday for £165,000, at the top of its estimate. The painting, which had been on loan to the Northampton Art Gallery for almost 60 years, had been exhibited in *The Last Romantics* exhibition at the Barbican last year. It was bought by the Tainan Chi'mai Arts Foundation of Taiwan, which also acquired the preparatory pencil study for £13,200.

The auction of modern British pictures did something to settle what had become an uncertain market. It totalled just over £1m with 28 per cent unsold. There were three more notable artist records – £154,000 paid by David Kerr for "The Bridge at Grez-sur-Loing," a rare Impressionist work by Roderic O'Conor; £39,600 from another London dealer, Chris Beetles, for "The Coming Day," a sunrise over a landscape with horses and a windmill by Sir John Arnesby Brown; and £20,900, paid twice, for horsey pictures by Lucy Kemp-Welch.

Sotheby's had the gilt taken off its auction of Chinese ceramics and works of art when by far the most important item, a covered vessel, a fangyi, used for storing either wine or grain and dated to the Shang Dynasty, around 1300 BC, failed to find a buyer, and was unsold at £260,000. Its low estimate had been £350,000.

This apart the auction went well. Lai Loy, a Hong Kong dealer, paid £165,000 for an Imperial encrusted gilt bronze and hardwood panel, Qianlong, decorated with a gourd, (against a top estimate of £30,000), and £110,000 for a gilt-bronze musical clock also dating from the late 18th century, one of the many western clocks which so intrigued the Imperial Court of the period.

A Southern Song Dynasty guan-type Longquan celadon vase of cylindrical shape, just over 10 inches high, sold to the London dealer Eskenazi for £121,000, double its estimate.

Antony Thorncroft

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Telephone: 071-873 3000 Telex: 922186 Fax: 071-407 5700
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The art of the impossible

IN THE past year, the word "impossible" has had to be deleted from the lexicons of politics and international relations. As of this week, all of the former satellite countries of eastern Europe have democratically elected governments. Germany is all but reunified. If, as expected, the Supreme Soviet votes today for a series of motions demanding the immediate implementation of liberal new laws on land reform, private property, small business and entrepreneurship, the formal euthanasia will have been completed for the centrally-planned, party-dominated communist state.

But as eastern Europe completes its peaceful liberalisation, a troubling question remains unanswered. Could the political miracles of 1989 and 1990 turn out to be economic impossibilities after all?

Having passed through the first euphoric phase of democratic self-discovery the nations of eastern Europe are now approaching the second, less glamorous stage of their revolutions – the time when economies have to be reconstructed, sacrifices accepted and conflicting political interests reconciled. So far, only two countries, Poland and Yugoslavia, have plunged into this second stage of the reform process. And despite the undoubted successes, particularly in Poland, in dealing with trade deficits and hyper-inflation, the omens are daunting for other governments contemplating the Polish path to reform. Not only have the Poles suffered huge cuts in their living standards, but the most painful period of the reform programme may still lie ahead as the enterprises which have been hoarding labour finally run out of money. Yet, even before this denouement is reached, the attacks by Lech Walesa on the Solidarity-led Government suggest fissures in the political consensus which has sustained Poland's reforms.

Market system

It is hardly surprising that in the financial markets and business communities of the West the early enthusiasm about eastern Europe is turning to scepticism. If the transition to a market system is proving so difficult for Poland, will it not prove impossible for other countries which lack the uniting force of Solidarity and the Polish Government's will to reform? The answer may not be as grim as is often suggested.

True touchstone

The choices for new governments in eastern Europe are not confined to the extremes of "shock treatment" or centrally-planned stagnation. It is often forgotten that microeconomic, not monetary, policy is the true touchstone of radical reform. Unleashing market forces in eastern Europe and the Soviet Union could generate a huge supply response, especially in countries which do not share Poland's legacy of hyperinflation and foreign indebtedness. It would be quite possible for Czechoslovakia, for instance, to move much faster than Poland on privatisation and enterprise reform without necessarily suffering reductions in living standards on the scale seen in Poland. The kind of populist privatisation proposed by Mr Klaus, which would involve handing out stakes in the newly created private companies directly to the country's citizens, could be both more radical and more popular than the employee ownership favoured by Solidarity in Poland.

It would be a misconception to suppose that every radical move towards market economics is bound to be unpopular or even uncomfortable. In this respect the Soviet critics of the original reform plan put forward by the Ryzhkov Government were right. The stress on raising prices, rather than measures to promote private ownership and reform enterprises, had the hallmarks of a last-ditch attempt by the Soviet party structure to discredit radical reform. Thus, far from defeating President Gorbachev's perestroika the Soviet parliament will almost certainly advance it by insisting that structural measures must precede price reform. If the Supreme Soviet goes further and instructs the President to implement reform measures by decree, the episode of the failed Ryzhkov plan may turn out to be another of Gorbachev's unplanned masterstrokes.

Travails of the Tunnel link

THE story of the high-speed railway from London to the portal of the Channel Tunnel is now approaching its climax. The problem is that the new railway does not look very profitable, when the cost of insulating residents from the noise of the trains is added to the cost of inserting a new railway into a densely populated corner of England. The private sector partners of British Rail in this venture – Trafalgar House and BICC – have been trying to devise schemes which would make their investment more attractive without requiring a direct subsidy from the state, which the Government is barred from giving under the terms of the Channel Tunnel Act, and which it has said many times it will not provide.

The Government's rejection of subsidies for this project seems correct. The main beneficiaries from an improved rail service would be the users and it should be financed out of the fares they are expected to pay: the time-saving of 30 minutes that it would provide should attract more passengers and permit higher fares. Claims that the proposed line would produce large external benefits by diverting traffic from congested roads are exaggerated; the main competitors for passenger traffic are the airlines. The impact on freight is likely to be insignificant.

Foreign practices provide less support for a subsidy than often suggested. French railways (SNCF) are expected to earn more than 8 per cent on their investment in high-speed lines and have forecast a return of 9 per cent on their share of the international network linking Paris, London, Brussels, Cologne and Amsterdam. The first French high-speed line to Lyons is expected to achieve a 12 per cent return. SNCF is also expected to finance these new lines by borrowing at commercial rates.

Sacrifice cash

The judgment British ministers need to make is whether the deal proposed by Eurorail represents a genuinely commercial proposition or could be modified to become one. They cannot postpone a decision much longer, however attractive prevarication may seem, because the case for the new line is that more capacity may be needed by 1998.

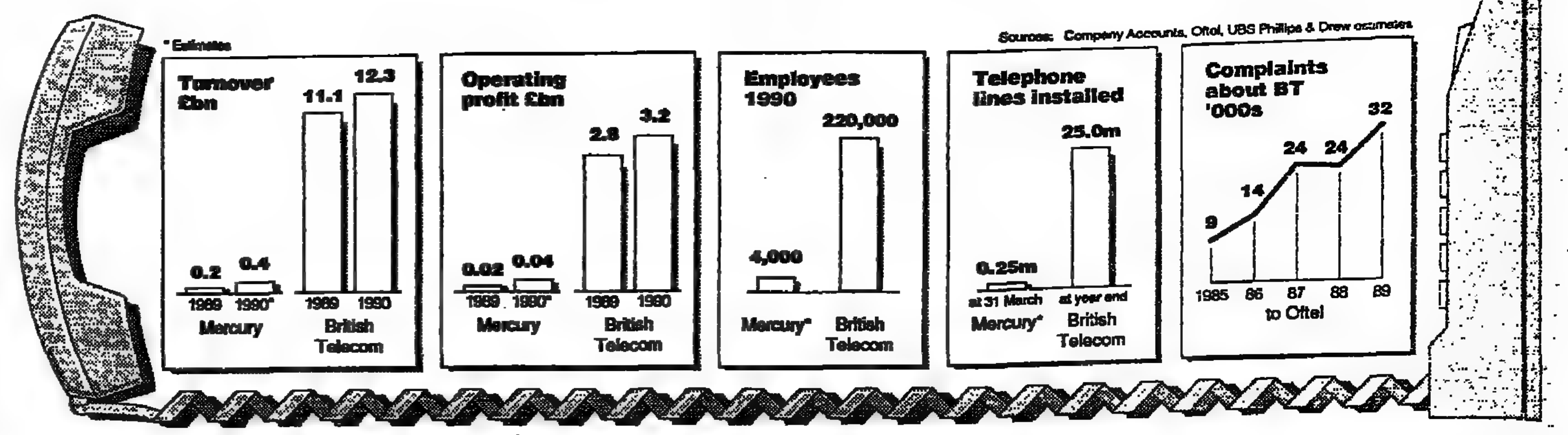
Eurorail's financing scheme requires government to sacrifice cash in the short term for payments or savings in the longer term: the investors in the line wish to reduce their borrowing requirement, which is a heavy burden at present rates of interest. Hence they wish to run BR's Channel Tunnel services from the time the tunnel opens in 1993, leasing the assets employed; to take responsibility for the loan of some £1.1bn that BR will receive from the Government to finance improvements to this service but to have interest rolled-up until the loan is repaid; and to receive a payment of £300m-£400m for half the capacity of the new line, so BR could use it for its commuter services.

Fixed-price contracts

If costs exceeded estimates, the three shareholders would first seek more funds from the banks; if more equity was required, the shareholders would have the option, but not the obligation, to contribute. BR would not, therefore, have to pay more. Eurorail hopes to avoid cost over-runs, which are less likely than on the tunnel itself, by using fixed-price contracts for much of the work.

This package could conceal a subsidy if the interest rate on the loan was less than the Government would have been charging BR, discounted for the delayed payment, and if half the capacity on the new line was worth less than £300m-£400m to BR.

Thus the acceptability of this package could be judged by the existence of any subsidy in these two conditions and by the extent to which the public sector was protected from any risk of increases in cost. But BR cannot be wholly insulated from the success or failure of the project when it would hold 40 per cent of the equity. If ministers wanted to eliminate all risk to the public sector from this scheme they would have to eliminate all BR's interest in it; risk-sharing partnerships between public and private enterprises can create more problems than they are supposed to resolve.



Telecommunications is the focus of a far-reaching review, says **Hugo Dixon**

Scrutiny all along the line

The single biggest disappointment of the Government's ambitious telecommunications policy has been the failure to break British Telecom's monopoly of the basic phone service. Six years after BT was privatised, its rival, Mercury Communications, still has less than 5 per cent of the market share and only 1 per cent of the customers, many of them concentrated in the City of London.

It is against this background that the Government is gearing up for a far-reaching review of telecommunications policy. Although the review officially begins in November, work has already started at the Department of Trade and Industry to produce a green paper this autumn.

The package of telecommunications reforms from the mid-1980s, which was pioneering at the time, has had some notable successes in areas outside the basic service. There are five times as many users of cellular phones in Britain as in West Germany or France, equipment prices are low and the UK has a rich diversity of data services.

But most ordinary customers still have no choice but to rent their lines from BT. Without effective competition for the basic phone service, BT's vast organisation sees little need to reform itself, despite countless attempts by its top executives to instil a more entrepreneurial spirit.

Improvements in the quality of phone service have consequently been slow. Although BT has improved its service from its level three years ago, customer expectations have shot up, bringing numerous complaints to the Office of Telecommunications, the industry watchdog.

The main concerns are that BT does not treat its customers courteously and efficiently and that, in disputes, it has the upper hand because it can threaten to cut people off.

There are two reasons why competition in the ordinary phone service has failed to develop as quickly as in other parts of the market. The first is that BT has used its power to slow down Mercury's progress. For example, the smaller company has only recently been able to market its services across the country because of interconnection disputes between the two groups. The second is that the Government has moved only halfway along the road to a free market in telecommunications.

Instead of allowing anybody to enter the market, it has developed a system of licensing by "magic number". It divides the overall market into different segments – basic services, cellular, satellite and so on – decides how many companies should play in each bit and then picks the players. The result is that entrepreneurs who would like to get into the market or expand their activities are kept out by regulatory barriers.

The most important barrier is that nobody apart from BT and Mercury is allowed to provide basic phone services. This policy will come to an end when the review that begins in November is complete. Other questions need to be answered.

● Should the market for long-distance and international calls be opened up to new competitors? This would exert downward pressure on prices, cutting the monopoly profits now earned by BT and Mercury. BT's profit margin on international calls is about 60 per cent. The counter argument is that new players would target Mercury and fight among themselves, leaving BT in an even stronger position, although this is not borne out by the experience of the US where anybody is free to enter the long-distance market.

Possible new players include Racal, the UK electronics group which runs the highly successful Vodafone cellular network; British Rail, which already has 2,000 kilometres of fibre-optic cables laid along its tracks, giving it a network almost as large as Mercury's; and US telecommunications groups anxious to expand internationally.

● How can a competitive market for local calls be created, given that Mercury has effectively given up competing in this part of the market? The Government is pinning its hopes on three new technologies – personal communications, cable television and satellites – but the restrictions governing their exploitation will probably need to be relaxed if they are to challenge BT seriously.

Last year, three consortia were licensed to provide personal communication networks (PCNs), an advanced form of mobile communications using pocket-sized handsets. They comprise powerful shareholders such as British Aerospace, Motorola of the US and Pacific Telesis and US West, two of the "Baby Bells" created as a result of the break-up of AT&T. Each consortium intends to invest about £1bn – roughly what Mercury has invested – and to start offering services in 1992.

PCNs are intended to compete both with the existing cellular networks run by BT and Racal, and with BT's local network. The idea is that people would be able to communicate over radio links and would not need a BT cable running into their homes.

Cable TV companies might also set up rival local services by offering telephony over their cables – currently they can only do this if they co-operate with BT or Mercury. And seven satellite companies, granted licences in 1988, might provide a way round BT's bottleneck if they were not restricted to carrying one-way traffic.

● Should BT be allowed to transmit TV over its network? BT has lobbied the Government hard for this privilege, arguing that if cable TV companies are allowed to carry phone calls, it should be able to transmit TV programmes. A further argument is that there are considerable economies of scale in combining TV and telephone services over the same network and this could make it economic for BT to start putting fibre-optic cables into people's homes – something the Labour Party has campaigned for.

Others say that such freedom would give BT a monopoly in TV distribution to add to its monopoly in telephone calls. Cable TV companies – which have recently received promises from investors of about £4bn to build their networks, much of it from the Baby Bells – would be driven out of the market. The snag is that the record of the cable TV companies has not been great: they have fewer than 100,000 TV customers between them.

The Government will face intense lobbying from Mercury and BT to protect their positions, and may feel it has some responsibility to their shareholders since it created one and privatised the other

The answer may be to have a competition between BT and the cable companies, giving each an incentive to roll out its services as quickly as possible. BT might be allowed to carry TV in those parts of the country where cable TV is not already established, with the situation being reassessed after, say, five years.

● How can BT be prevented from abusing its dominant position and stifling competitors?

One idea is that all long-distance and international operators should have "equal access" to customers over BT's local network – a method used with considerable success in the US and Japan. At present, customers have to buy a Mercury phone and press a special button if they wish to use Mercury's network. Otherwise, they are automatically routed over BT's, meaning there is tremendous inertia favouring the larger company.

With equal access, users would dial one code if they wished to use BT for long-distance calls, another for Mercury and yet others for any new competitors. The only place in the UK with such a system is Hull, where the local council runs the phone network. In the past two years, Mercury has built up 45 per cent of outgoing traffic.

Another idea is that BT should be forced to restructure itself with each of its businesses operating as separate subsidiaries and any transactions between them being on an arms-length basis. This would limit the extent to which BT could give unfair advantages to its in-house operations.

When BT was privatised, the Government rejected breaking it up on the lines of AT&T because it thought this would take too much time. However, measures to enforce greater transparency between its businesses could be almost as effective. This is the tack now being pursued in Japan following the decision earlier this year not to break up Nippon Telegraph and Telephone for at least five years.

● Should there be a social subsidy to keep down the cost of making telephone calls in rural areas and how should this be financed? BT is still required to provide universal service across the country and claims that it subsidises local services to the tune of more than £1bn a year, putting it at a competitive disadvantage to Mercury and any new players who do not have such obligations.

It would clearly be fairer to share any social subsidies between all players in the market. The problem is that BT has never produced evidence to back up its claims about cross-subsidies and observers think its estimates are wildly exaggerated – something given credence by the fact that it recently reported operating profits of £2.3bn for its UK network in the year to the end of March.

● Should the airwaves be auctioned off to the highest bidders rather than being allocated by administrative diktat? And should companies be free to use them as they think fit, instead of being hemmed in by complicated restrictions over what services they may and may not offer?

Radio waves are an important resource for anybody building a modern communications network and, in the fast-growing field of mobile communications, they are essential. By its nature, however, the radio spectrum is finite. If the Government is keen to introduce more competition in telecommunications, it is important to launch a free market in the airwaves. One way of doing this would be via an auction, a policy which has been pioneered in New Zealand.

● How well has the Office of Telecommunications performed as a watchdog? Although Sir Bryan Carsberg, its director-general, is highly regarded, his decisions are taken behind closed doors with the result that the regulatory process is not open. The best way of dealing with this problem would be to require Oftel to publish the information on which it makes its decisions in much the same way that the Federal Communications Commission, its US counterpart, does.

● Is BT modernising its network as quickly as it should? Some observers argue that it is being sidetracked by its ambitions to become a global telecommunications operator and, as a result, is failing to invest sufficiently in the UK. A more modern network would also help rivals to interconnect with BT, enhancing the prospects of effective competition.

BT points out that its annual investment has doubled to £3bn since it was privatised, but others say that its target of replacing old-fashioned exchanges with digital ones by the early years of the next century is undemanding. A precedent for action comes from Japan, where NTT recently brought forward by six years to 1995 the target for modernising its network and promised to introduce a range of new services following government pressure.

Answering all these questions will be complicated, particularly as many of them are inter-related. The Government will also face intense lobbying from Mercury and BT to protect their positions, and may feel it has some responsibility to their shareholders since it created one and privatised the other.

Nevertheless, the Government should not lose sight of the fact that the UK's future economic prospects will be greatly helped by cheap and high-quality telecommunications services. Its first round of liberalisation has enhanced Britain's position as the financial capital of Europe. There is a strong case for pushing liberalisation firmly through to the second stage.

OBSERVER

The perfect toaster

■ Edward Cory is trying to produce the perfect toaster: no crumbs, no burning and generally idiot-proof. If he succeeds, it will be on the market by the second half of next year.

To be more specific, Cory presides over a team all working to the same end. Cory is the managing director of Russell Hobbs Tower, the consumer electronics company now owned by Polly Peck. The company has been through bad times, but may be about to return to profitability – partly by continuing to rely on the Russell Hobbs name.

Bill Russell and Peter Hobbs were among the British entrepreneurs of the early 1950s. They brought out the first fully automatic coffee pot with an in-built keep-hot device and followed up with an automatic kettle.

In the 1960s they were taken over by Tube Investments, as was an older company called Tower, which made pots and pans in Wolverhampton and moved on to the non-stick stuff that now adorns most kitchens. TI, however, did not seem to take much interest, came to regard them as non-essential businesses and sold them to Polly Peck for £12m in cash at the end of 1986. Cory was brought in from outside to turn them round last year.

He has a simple philosophy. He thinks that most of the equipment that will ever be used in the kitchen has already been invented – like the microwave oven – but that the best of available technology has not yet been applied to it.

For example, it must be possible to produce a toaster that does not have a crumb problem, that takes account of the different textures of bread and makes allowances for people who press the button too hard. Much the same goes for the coffee machine. In the automobile or aviation industry, Cory says, there are all sorts of built-in devices that override human error, and the knobs don't always fall off.

So if Cory succeeds, the perfect toaster may shortly be with us. It may be accompanied by a waking up sound, and a perfect coffee-maker, all making for the perfect start to the day.

One of the secrets, says Cory, is that the Russell Hobbs name continued to be respected even when the company was in difficulties and Polly Peck is now acting as the perfect investment banker.

Score draw

■ While England played Ireland in the World Cup in Cagliari on Monday, Peter Brooke, the Northern Ireland Secretary, was discussing plans for talks on the future of Northern Ireland with Gerry Collins, the Irish Foreign Minister.

There was, Brooke said afterwards, some "communal viewing" of the match, but at about 9 pm the talks came to a close and Brooke went to brief the press. "The score at half-time was 1-0," he said. "That seemed to be rather a good moment on which to break off." Clearly he reckoned without Irish staying power.

Meanwhile, watching at home, I noted the comment of the English commentator: "Our back four lack moral courage." It reminded one of a what a Japanese newspaper once wrote of the country's emerging rugby team: "We still don't have enough of the kamikaze spirit to win."

Japanese toys

■ Here is an early warning. Clackers, the clicking plastic balls on a string which made such a noise for a few months in the mid-1970s, will soon be back, redesigned but no quieter.

"Ich bin ein Lithuanianer."

Tsukuda, the Japanese toy maker, has unveiled its new version at the Tokyo Toy Fair. This is one of the best opportunities for the trade and young customers alike to try to spot the next Teenage Mutant Ninja Turtle before it becomes a craze. On the final day it opens its doors to the public regardless of age.

Tsukuda's new Clackers abandon string in favour of triangular plastic mounts, perhaps to overcome the safety objections which dogged the old model. The correct wrist action sets the balls clicking in rhythm, a talent which eludes most adults.

Many Christmas lists will also feature the Typhoon radio-controlled hovercraft from Taiyo, best known so far for its toy racing cars. It operates on land or water.

There is, too, a proliferation of variants on Flower Rock, a battery-operated potted product which sways in time to music or noise, if you can tell the difference.

The ideal Japanese toy, however, appears to be both cuddly and battery-operated. Iwaya offers spinning, padded beer cans as well as a padded alarm clock which is silenced with a blow from a padded mallet. Perhaps it is better not to ponder the connection.

On the safer side there is a set of wooden vegetables from Hanayama Toys. The slices of carrot and radish are held together with velcro, but can be easily separated with a child-sized wooden cleaver.

Trump's boat

■ The Trump Princess, the luxury ocean-going cruiser belonging to Donald Trump which once graced harbours around the world, is now sitting in the grey waters of Tokyo Bay. Moored among the warehouses of Harumi Island, it is awaiting inspection by would-be buyers willing to bid somewhere near the asking price of $115m.

Trump, who had some difficulties in satisfying his bankers' concerns about his financial position, put the vessel up for sale earlier this year before the extent of his problems became known. There was some talk that it would be sold in Hong Kong.

Mitsubishi, the trading company, is now handling the sale. It said yesterday that several Japanese had expressed interest in buying. The cruiser was built in Italy in 1980 for a Middle East sheikh before it passed into Trump's hands in 1987. He had it fitted with eight staterooms, as well as a salon, a dining room, a library and a beauty parlour. It can carry 22, is 86 metres from stem to stern and 13 across the bows. Mitsubishi's telephone number is Tokyo 210-2121.

Exposed

■ What's the difference between the SIB, Fimbra, the DTI and an umbrella? With an umbrella, at least you get some protection.

How gold is losing its lustre

Kenneth Gooding looks at the effect of Saudi Arabian selling

Why did the National Commercial Bank of Jeddah dump up to 100 tonnes of gold on the London bullion market recently, causing immense psychological damage and helping to drive down the price to the lowest level for nearly four years?

That is in US dollar terms. The gold price is at a 10-year low point when measured in Swiss and West German currencies, while in the Japanese yen the price is only slightly above the 10-year lows seen last autumn.

Nearly half the gold production from South Africa, the world's main source, is unprofitable at present prices.

The same would probably be true of much of the Australian and North American industries except that many producers in those countries sell gold forward when prices are buoyant.

The Saudi Arabian selling "may well do for the gold market what the October 1987 crash did for equities," suggests Mr Huw Williams, an analyst with Kleinwort Benson Securities.

The gold market is notoriously difficult to penetrate and rarely yields straight answers to straight questions. Instead, there are several theories to explain why gold has descended into its current malaise.

What is a matter of fact is that the gold price, which had been steadily falling for nearly two years, last September staged a rally which had analysts almost universally insisting that the bear market had ended. They said a bull market had begun which would continue through 1990 and 1991, spurred on by a weaker US dollar, falling interest rates, rising oil prices and higher inflation worldwide.

Having rallied from last autumn's low point of US$360 a troy ounce, the gold price peaked in February at $425.50, the highest level for 14 months. But it could not hold that level. At about $420 an ounce the price was held back by the weight of selling, including forward sales by Australian and north American gold producers who rushed to lock in certain profits.

Speculators, whose activities provide the price volatility which is meat and drink to the bullion traders but who prefer a rising gold price, had been tempted back in by the prospect of the price moving towards $500 an ounce. They drifted away in disappointment when the price would not go above $425. Contrary to their expectations, rising world interest rates, a strong US dollar and fears about extra gold sales by the Soviet Union, the world's second-largest producing country, also helped gold's price move lower.

Then on Monday March 26 came the first of two days that London bullion traders will never forget.

Every trading day the five members of the London gold market meet at 10.30am and 3pm in an upstairs room at the offices of N M Rothschild in St Swithin's Lane in the City and by means of a single direct line to their own trading rooms "fix" the price.

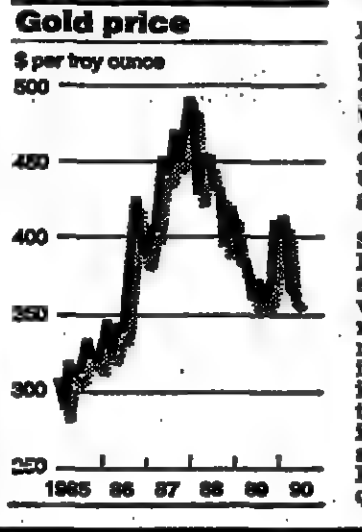
Anyone, anywhere in the world, has access through a broker to the London fix and can take part for any amount. The fix offers a certain opportunity to buy or sell very large amounts of gold.

Consequently, the London fixing is the benchmark against which a great deal of the world's real, physical gold business is transacted.

At the morning fix on March 26 the National Commercial Bank of Jeddah sold and sold. It sold at least 50 tonnes, perhaps 100 tonnes, of gold. That day the gold price plunged by $20 an ounce to $368.

The Saudis took sterling in exchange for their gold – at least $500m-worth. The impact pushed up the price of the UK currency as the gold price collapsed. The international gold market was stunned and, once it recovered, was left feeling very nervous.

Gold price



On May 23, two months later almost to the day, the National Commercial Bank of Jeddah moved again. During the morning London fix the five dealers were quickly able to find buyers for the first nine tonnes of Saudi gold but, when the selling continued, buying dried up. The fix went on and on – for 2hr 26 mins – to become the longest in living memory.

Consequently, when New York gold traders woke up and turned on their screens first thing in the morning, the London fix was still in progress. Near-panic set it in as they grabbed their telephones to ring London. "I have never known the price to fall so far so fast," says Mr Michael Spriggs, an analyst at Warburg Securities.

A far lesser quantity of gold was sold by the Saudi bank on May 23, about 15 tonnes, and the price fall was not so great – $11 an ounce on the day to take the gold price down to $364. But the effect was to confirm the bear trend and to send the price steadily towards the psychologically important $350 an ounce level.

Why did the Saudis sell so much gold? Some suggest that the National Commercial Bank might have been selling gold for the Soviet Union which needs money quickly to help it try to meet its debt repayments.

Conspiracy theorists suggest the compliant Saudis might have been helping the US Government, which wanted to devalue gold and thus make the dollar the "safe haven" for international investors' money.

Many analysts link what happened in the gold market to the fact that a few days after May 23 Saudi Arabia sharply cut its oil price, an action which threatened to start an oil price war. Lower oil prices ease inflationary pressures and this, in turn, tends to send the gold price lower.

Ms Rhona O'Connell, at Shearson Lehman Hutton in London, is among those who suggest that the March 26 sales were sparked by an announcement by the Indian Government the previous week which implied gold would be freely imported to India for the first time since 1962. Restrictions on imports have created a substantial gold black market in India and Bombay prices frequently show a premium of more than 50 per cent on the London price. "Possibly, in anticipation of this premium being eroded, some stocks in Dubai were off-loaded into the market," says Ms O'Connell.

The second Saudi "hit," she suggests, involved some of the speculators who had joined in the first sale having another go at driving the price down to their own advantage.

Some analysts go for more simple explanations. Mr Andy Smith of UBS Phillips & Drew suggests: "It could be something as simple as that the sellers believed the gold price would not go much higher than $377, so they sold because gold bullion pays no interest."

Market conditions were ripe for any speculator wanting to drive down the gold price. Apart from the lack of speculative interest in gold, "physical demand is absolutely lousy," according to Mr Edwin Arnold, a vice-president of Merrill Lynch International. Stocks held by jewellery fabricators, who account for about half of all gold consumption, are comparatively high in Europe and the Middle East – perhaps 200 tonnes is overhanging the market – while retail jewellery sales in the important US market are sluggish, he points out.

Mr Arnold warns that the sellers who pulverised the gold price in March and May will attempt to make it collapse even further.

However, as Mr Jeffrey Nichols, managing director of the American Precious Metals Advisers consultancy organisation, points out, the Saudi Arabian Monetary Authority and the Saudi royal family, holding significant gold reserves and investments, might not have been pleased to see the metal's price fall so sharply. "The National Commercial Bank has important ties to the central bank and the royal family, so much so that a word from the authorities could guarantee there are no further disruptive dealings."

Meanwhile, the outlook for gold producers is gloomy indeed. As Phillips & Drew's Mr Smith says: "Having been hit by a truck laden with Middle East gold, the market will take a long time to regain its rhythm. Private and institutional investors are sulking, confidence lost. Producers are lamenting missed opportunities to lock in prices above $400 an ounce and will sell impatiently any time the price rallies. It may take a crisis in South African production before precious metal markets have a happier time."

Hugh Carnegy on reaction to Israel's new coalition government

Fuelling the fires of alarm in the Middle East

With talk of war supplanting invocations of peace as the rhetorical currency of the day in the Middle East, Israel has now provided fresh fuel for the fire. On Monday night, the Israeli Parliament approved – despite anguished protests from its opponents – a government dominated as much as any in Israel's 42-year history by the uncompromising right wing.

The new coalition could hardly have been more calculated to exacerbate rising tensions in the Middle East. For all the insistence of Mr Yitzhak Shamir, now leading his fourth Government, that the coalition is committed to peace, its policy positions and his own statements offer precious little prospect of that.

Mr Shamir told Parliament the coalition would study new measures to crack down on the *intifada*, the 30-month-old Palestinian uprising in the occupied territories. Its policy guidelines enshrine the central obstacles to peace talks: the "eternal" claim of Israel to hold and settle the occupied territories; refusal to negotiate with the PLO "directly or indirectly"; and refusal to allow Jerusalem Arabs to join any election process.

"The Government does not bear the message of peace and it does not possess the ability to make peace," declared a despairing Mr Shimon Peres, leader of the Labour Party.

The underground leadership of the *intifada* called it a "terrorist government"; Palestinian leaders promise to meet tougher security measures in the West Bank and Gaza with tougher resistance; mainstream figures fear that extremist groups will step up pressure for the use of firearms.

It is the coalition's composition that arouses alarm. For the first time since 1984, the Labour Party, which advocates territorial concessions to the Palestinians, is excluded from the Government. Instead Mr Shamir's Likud Party has constructed a coalition with four religious parties and two parties of the extreme right.

The latter are Tehiya and Tsomet, both of which want annexation of the West Bank and Gaza Strip. The leader of Tsomet is Mr Rafael Eitan, Chief of Staff during the 1982 invasion of Lebanon, whose most-quoted utterance was a reference to Palestinians as cockroaches. In addition, Mr Shamir relies for his majority in the 120-seat Knesset on the votes of the two-man Moledet Party which advocates "transfer" – expulsion – of Arabs from the occupied territories.

Just as significant is the shift in the balance of power within Likud towards Mr Ariel Sharon, the man behind the war in Lebanon who was forced to resign as Defence Minister over the massacre of Palestinians by Israel's Christian militia ally in Beirut's Sabra and Chatilla refugee camps.

Mr Sharon has steadily clawed back much of his lost influence since then. Last year he, along with Mr David Levy, the new Foreign Minister, and Mr Yitzhak Moda'i, the new Finance Minister, formed the so-called "constraints ministers" group which successfully blocked any progress towards peace talks with the Palestinians based on proposals made by Mr Shamir and backed by Labour.

It is the coalition's composition that arouses alarm. For the first time since 1984, the Labour Party, which advocates concessions to the Palestinians, is excluded

In a striking admission of their own weakness within the party, Mr Shamir and several of his allies, such as Mr Moshe Nissim and Mr Ehud Olmert, have repeatedly said in public they would have preferred another broad coalition. But the balance of forces prevented them from forming one.

Mr Shamir balked at giving Mr Sharon back the Defence Ministry, which goes instead to Mr Moshe Arens, the former Foreign Minister. But Mr Sharon has been given the Housing Ministry and overall control over immigration. This could prove explosive as Mr Sharon is a strong advocate of Jewish settlement of the West Bank and Gaza. Palestinians fear he will favour settling many of the Soviet Jews now pouring into Israel in the occupied territories, an issue of huge sensitivity in the Middle East.

Mr Yitzhak Rabin, former Labour Defence Minister, compared the new Government to the Likud coalition of 1981-84 and predicted Mr Sharon would dominate now as he did then. "It's a Sharon Government... He's the one who led us to the Lebanon war and who'll lead us now to the end of the peace process."

Labour's current despair is all the more acute because of what might have been. It brought down the old coalition because Likud refused to accept terms proposed by Mr James Baker, the US Secretary of State, for starting talks with the Palestinians.

Mr Peres believed he could put together his own narrow coalition and proceed. But he fatally miscalculated the whims of the religious parties and handed the initiative to Mr Shamir. He now faces a challenge to his leadership from Mr Rabin.

Mr Shamir, meanwhile, will face a struggle to sustain his tiny majority in the Knesset. Assuming he can do so, he has set the huge challenge of absorbing the Soviet immigrants as his first priority (cynically brushing aside the growing public clamour for electoral reform).

This inevitably leads back to Israel's external relations. The country's recession-hit economy is in need of foreign assistance to cope with the Soviet influx. This does not mean just US aid – which is not immediately at risk despite strains with Washington – but also expanding trade with the European Community, by far Israel's largest trading partner.

EC objections to Israeli policy are again threatening to spill over into trade and other issues, as they did in 1987 when the European Parliament voted to hold up a trade deal in protest at Israel's refusal to allow direct Palestinian exports of agricultural goods.

The pivotal issue, therefore, remains the "peace process"; by the same token, a pivotal figure will be the new Foreign Minister, Mr Levy, the country's most prominent Sephardic (oriental) politician, does not speak English – although, intriguingly, he does know Arabic, having spent the first 20 years of his life in Morocco.

As Housing Minister in the previous Government, he was involved in funding a recent Jewish settlement in the Christian Quarter of Jerusalem's Old City, a move which caused worldwide protests.

But Likud insiders say he may cause surprises. He is ambitious to beat Mr Sharon to the Likud leadership. To do so, he needs to make his mark in the Foreign Ministry and can only do that by patching up Israel's image. In the past he was regarded as a pragmatist, backing the peace agreements with Egypt and voting alone among Likud ministers to withdraw from Lebanon in 1985.

Some commentators see in him the chance of reviving peace efforts. Washington will certainly give him every help it can if he shows willing. The alternative, according to Yediot Achronot, the country's biggest-selling daily, is that the Government will "embarrass the best of our friends and create around us a ring of isolation the like of which we have not known since the establishment of the state".

LETTERS

Why the tunnel rail link should be backed

From Mr Stephen Joseph.

Sir, This week, the Cabinet is expected to decide whether to give any public funds towards the Channel Tunnel rail link.

Press comment and leaks have indicated that funding will be rejected. If so, this will not just doom or delay the construction of extra rail capacity to the tunnel; much more is at stake.

In softening up public opinion for this decision, ministers have sought to downplay the importance of the tunnel, claiming that only 6 per cent of UK trade by volume in 1993 will be able to use it. The trade figures used for that calculation include bulk fuel from the Shetlands and trade with the US and the Middle East. In fact, the tunnel is forecast to take 17 per cent of non-oil trade between the UK and Europe, or 30 per cent of unitised freight. The question is, is this traffic to go to and from the tunnel by road or rail?

It is clear that, without any rail link, the rail capacity available in the south-east for freight and passenger traffic will soon be filled up, even if Eurotunnel forecasts are over-optimistic. This means that the already congested road network will have to cope with further traffic, adding to the congestion costs that industry already bears and worsening the environmental problems caused by road traffic. This congestion, and the lack of good rail links, may also affect the economy in regions outside the south-east.

The Government is using this congestion as a justification for building new roads in the south-east – a widened M20 and A20, a "Home Counties orbital" outside the M25 and possibly a Kent-Hampshire motorway – all of which will create great environmental damage. In contrast to the rail link, these roads to the tunnel are deemed to be in the wider public interest; they will be built with public money under government direction.

The Government has a choice – to continue these double standards and thereby add still further to road traffic, or to use the potential of the Channel Tunnel and transfer freight and passenger traffic away from roads. The national interest seems clear.

Stephen Joseph,
Executive Director,
Transport 2000,
Walkden House,
10 Melton Street, NW1

Employers must be educated on the need for training

From Mr Mark Corney.

Sir, Michael Prowse's article ("Training is for people," June 11) perpetuates the age-long myth that it is not in the interest of most employers in the UK to offer training to their workforce.

Yet our poor economic performance is a direct result of the fact that companies in the US, West Germany and Japan do see investment in adult training as in their long-term self-interest.

Market forces have been an inadequate mechanism through which to illuminate this self-interest to employers in this country, but to pin our hopes on empowering individuals to invest in training is terribly misguided. The attitudes of employees are important, but nothing short of a massive "education programme" for employers is needed.

If Britain wants to attack the root cause of the training malaise it should do three things:

- Endeavour to raise the number of managers studying for a managerial qualification;
- Give smaller companies greater access to consultancy services through the Business Growth Training Scheme;
- Above all, ensure that every young person up to the age of 18 has access to education or training.

Once employers have some faith in the schooling system, as they do in Japan, or in the vocational training system, as they do in West Germany, employers are more than willing to invest in training for adults.

Mark Corney,
Campaign for Work,
Annexe B,
Tottenham Town Hall,
Town Hall Approach Road, N15

Flaw in Prague's privatisation

From Mr Robert Oakeshott.

Sir, If we follow the language favoured some years ago by Samuel Brittan, the Czechoslovak privatisation plan, outlined by John Lloyd ("Prague plans mass sale of state industry," June 9) will result, at least initially, in "general citizen" ownership.

The scheme, which according to Mr Lloyd's report is the brainchild of Mr Dusan Triska, of the Czechoslovak Finance Ministry's Privatisation Department, would score highly by the yardstick of democratic and egalitarian virtues. Indeed a similar scheme for privatisation has been advocated in this country by no less a figure than Dr David Owen.

On the other hand general citizen small shareholders are no more likely than the familiar small shareholders of the West to have either the knowledge or the means to exert a positive influence on the performance of the companies in which they hold shares. Except perhaps when a takeover is in the offing, they will function as little more than the passive recipients of dividends.

The great virtue of employee share ownership is that it carries with it at least the possibility of exercising a positive influence on business performance. Any privatisation scheme which neglects to encourage it will therefore necessarily forgo its potential benefits.

However, it should not be beyond the wit of Dr Triska to modify his "general citizen" ownership to introduce, or at least make possible, a significant measure of employee ownership as well. That could be achieved if the employees in a company to be privatised were granted priority access, up to a reasonable limit, to the shares of the company for which they work.

In this way it should be possible to combine the egalitarian and democratic virtues of "general citizen" ownership with the potential efficiency virtues of employee ownership.

Robert Oakeshott,
Executive Director,
Job Ownership,
9 Poland Street, W1

Balanced and effective boards

From Mr Hugh Parker.

Sir, John Plender's article ("The limits to institutional power," May 22) and your editorial comment on the same day ("The role of shareholders") are timely reminders of an important factor affecting the performance of many UK public companies.

The key issue is this: in a capitalist economy how can the absentee owners of public companies (shareholders) – whether individual or institutional – make sure that the professional managers they employ are fulfilling their basic function of maximising shareholder value?

It is well known that the annual opportunity for small shareholders to voice their concerns at the annual general meeting is, for all practical purposes, a charade. It is equally well known that the institutional shareholders with potentially more clout are reluctant, and in any case ill-equipped, to intervene directly except in the most dire circumstances. So what can be done, short of the threat of takeover, to keep managements up to the mark?

Your editorial comments correctly that "the chain of accountability from management to ownership is too slack" and goes on to say, also correctly, that "institutional intervention works best through well constructed boards of directors." Unfortunately too many UK public companies still do not have such well constructed boards with the result that they consistently underperform against normally acceptable criteria.

The essential ingredients for a balanced and effective board are:

- Either a full-time executive chairman, or a strong part-time chairman teamed with a full-time chief executive;
- Not less than three informed and stoutly independent non-executive directors;
- A more or less equal number of executive directors.

Such a well constructed board may not be easy to achieve, but since it is the key link in the "accountability chain" the institutions should concentrate their influence on establishing such boards – and particularly on the second ingredient, the non-executive directors.

Hugh Parker,
Corporate Renewal Associates,
24 Fitzroy Square, W1

FINANCIAL TIMES
Wednesday June 13 1990

EC tax chief enjoys a rare compromise

Lucy Kellaway in Luxembourg reports on a landmark agreement for Europe

NEVER can Mrs Christiane Scrivener, the EC Commissioner for fiscal affairs, have enjoyed herself quite so much as on Monday evening in Luxembourg. In a hideous modern building just off the motorway, she witnessed something she had never seen before – and something that none of her predecessors had seen either: an agreement by finance ministers on direct taxation.

Admittedly, the substance of Monday's agreement was fairly slight: the three directives will remove some of the tax wrinkles that arise when companies do business in more than one country. Still the fact that finance ministers had been discussing them on and off for the last 21 years without making any progress, shows the extent of the triumph.

Champagne was being drunk yesterday lunchtime at Unice, the association of big European companies, which have been urgently calling for agreement for two decades. Unice said that the measures would make it easier for companies to do cross-border business. To get agreement, an increasingly desperate Mrs Scrivener had applied every pressure to ministers. She had threatened to take the matter up with heads of state at the forthcoming EC meeting in Dublin, if finance ministers did not agree.

She had pointed out frequently that unless the measures were agreed, companies would be penalised for doing business in more than one member state – contrary to the very principle of the single market.

The chief problem was that West Germany refused to drop its withholding tax on dividends paid to a parent company in another member state. As the directive – like all tax matters – needed the support of everyone; it seemed stuck forever.

The compromise agreed on Monday showed some willingness by everyone to move. West Germany was persuaded to drop what had until then been an unbending veto on the directives, while the other 11 (especially the Dutch which have large subsidiaries in Germany) agreed to give Bonn a more than generous concession.

Scrivener: congratulated

From the beginning of 1992 subsidiaries will pay dividends to parents in other member states free of withholding taxes. However, Germany, which pays a higher rate of tax on undistributed profits, did not see why it should allow subsidiaries to transfer their profits elsewhere.

The compromise agreed will give Germany until the middle of 1996 to sort out its domestic taxes so that the problem no longer arises. In the meantime it will be able to charge some withholding tax – at half the present 10 per cent rate – so long as the tax rate on distributed profits is more than 11 per cent lower than the tax on undistributed profits.

The lifting of the German veto of this directive allowed the other two – which had formed part of a single corporate tax package – to go through. A second directive will mean that companies making acquisitions abroad will no longer have to pay capital tax on gains from the sale. At present mergers are treated in some countries as if the target company had been liquidated. This can result in a big tax bill when the purchase price is higher than the book value of the assets.

The third measure will establish a way of solving tax disputes between member states when subsidiaries in two different EC countries trade with each other. Disputes over where the profits should be booked frequently means the company, caught between two tax authorities, pays twice. In future these problems will be solved by a special arbitration body to rule in all such disputes over "transfer pricing."

With those three measures through, Brussels will turn its attention to a plan that would allow losses in one member state to be offset against profits in another. Getting agreement on that is not going to be simple, but at least there is now a precedent proving that agreement is possible. As if that triumph was not enough, Mrs Scrivener had another pleasant surprise on Monday.

She received her first ever audience from ministers on the dreaded subject of VAT that was not downright hostile. Many ministers even ventured to congratulate her on the Commission's proposals for a system that would allow, for a transitional period, tax to be collected in the importing country – as at present – even when barriers have gone.

Rushdie paperback edition halted

By Raymond Snoddy in London

PENGUIN Books was on the verge of publishing a paperback edition of The Satanic Verses, the controversial novel by Mr Salman Rushdie, but decided to abort the plan last month to avoid any chance of jeopardising the release of further hostages in Lebanon.

A paperback edition of the book, which has damaged relations between the UK and parts of the Moslem world and led to the imposition of a *fatwa* or death sentence on its author, was scheduled for publication in the UK at the beginning of June.

Penguin had thought that the Rushdie issue was beginning to calm down and that it would be possible to proceed in defence of what is seen as an important principle by British publishers – the freedom to publish.

The factor which changed the company's mind was the release of the two American hostages Mr Frank Reed and Mr Robert Polhill at the end of March and suggestions in the Middle East of links between The Satanic Verses and the fate of remaining hostages such as Mr John McCarthy, a British journalist.

The Foreign Office advised that the situation over the hostages was at a particularly sensitive stage and Penguin decided it would be irresponsible to go ahead at this time.

This means that a paperback edition of the novel has now effectively been postponed for the foreseeable future although no formal decision has been taken not to publish the book eventually in paperback form.

Mr Rushdie has already been paid the portion of his advance on the book notionally linked with paperback rights, because of high sales of the hardback. Penguin owns the paperback rights without time limit.

If the company were to decide formally that it did not want to publish a paperback edition, the rights would simply be returned to Salman Rushdie to do with what he wanted.

The Independent on Sunday, a British newspaper that has been close to Mr Rushdie reported on Sunday that the author had two key stances:

There should be no interference in continued publication of his book and he should be allowed to lead a normal life.

In return the author would tell British officials that he was willing not to press for a paperback version of the novel now although he hoped a cheap edition might be available in the future.

East Berlin calls December election for united Germany

by David Marsh in Bonn

FULL German political unity by the end of the year looked likely last night after the ruling Christian Democratic Party in East Germany called for all-German elections in December.

The decision by the Parliamentary grouping of the East Berlin Christian Democrats puts further pressure on the two German states and their international partners to agree speedy terms on the military status of a united Germany, including the question of Nato membership.

The vote by the East German CDU, backed by Liberal deputies in the Volkskammer (Parliament), was welcomed last night by the governing conservative parties in West Germany.

Previously, the coalition government of Mr Lothar de Maiziere, the East German Prime Minister and CDU leader, had resisted suggestions from Chancellor Helmut Kohl for all-German elections in December or January.

The East German Social Democratic Party, junior partners in the East Berlin coalition, last night bitterly criticised the vote, saying it breached an accord to consult on key decisions. The West German Social Democrats, which formed the Opposition in Bonn, also condemned the move in East Berlin, charging that it amounted to premature acceleration of unity.

Mr de Maiziere's party now seems to accept the need for speedy elections to follow economic and monetary union coming into effect on July 2. In view of growing pessimism about the effects of the introduction of the D-Mark on the East German economy, conservatives in both states want to secure a parliamentary majority before high unemployment damages their standings at the polls.

The Social Democrats in Bonn, meanwhile, last night signalled a pragmatic line on the monetary union treaty to be debated in both West German houses of parliament next week. Mr Oskar Lafontaine, the SPD's candidate for Chancellor in the coming election, said that he was dropping his call for the party to reject the treaty in the Bundestag. Mr Lafontaine, however, told the Süddeutsche Zeitung that monetary union would have "catastrophic consequences."

Industrial failure, Page 2

UK cabinet split over new tax

By Philip Stephens, Political Editor, in London

THE BRITISH Government's plans to overhaul its poll tax have ground to a virtual halt because of differences between Mrs Margaret Thatcher, Prime Minister, and her senior ministers over whether to introduce new legislation to curb local authority spending.

The Government introduced the poll tax in April, replacing rates, the old local tax on property, with a levy on every individual aged 18 or over.

The changeover provoked a political furore as millions of people faced sharp increases in their annual bills, due in part to a sharp rise in spending by local authorities.

As a result the Government was forced to announce that it would review the operation of the tax and has been considering ways to make it more acceptable before the general election due by mid-1992.

There are now fears in the Cabinet that the deadlock coupled with the severe administrative problems being created by the new tax in councils around the country will undermine the Government's efforts to neutralise the considerable political damage inflicted by the community charge.

Ministers say that the Prime Minister is insisting on a bill to extend considerably next year its powers to "charge-cap" local councils that are judged to be overspending.

Ministers who oppose Mrs Thatcher argue that attempts to increase the existing powers would undermine the underlying principles of the charge.

Gorbachev hints at deal on Lithuania

Continued from Page 1

the situation of March 10, let it be only for the period of our talks...Our choice is a political one but this doesn't rule out the possibility that life might force us to use any means," he added.

Meanwhile the Soviet leader faced a fresh challenge on sovereignty closer to home when the Russian parliament, chaired by his arch-rival Mr Boris Yeltsin, adopted a document proclaiming the sovereignty of Russia. The document was carried by an overwhelming majority with 907 votes for and 13 against.

The declaration, which forms the basis for a new republican constitution for the republic, suggests that Russian laws should take precedence over Soviet legislation.

Mr Igor Gryazin, an Estonian deputy, made a direct link between what he called Mr Gorbachev's "small step forward" on Lithuania and pressure from Mr Yeltsin.

"Gorbachev has understood that if he does not solve the problem himself then it will be solved by direct negotiations between the Baltic republics and the Russian Federation," Mr Gryazin told reporters.

Mr Yeltsin, elected president of Russia earlier this month, has already put pressure on the Soviet leader by talking ofdirect trade and cooperation links with Lithuania.

Ryzhkov reforms set for rejection

Continued from Page 1

If the parliamentary resolution is approved, it will still leave the position of Mr Ryzhkov himself in the balance. Many reformers believe that the Prime Minister, a popular but pedestrian former engineer and factory manager, is incapable of pushing through a sufficiently radical reform programme to transform the centrally-planned economy.

Yesterday the all-union congress of miners, meeting in the coal city of Donetsk, passed a "declaration to the workers of the USSR" calling on work collectives throughout their country to support a campaign for the government's resignation. The miners' congress is being attended by strike committees who co-ordinated last summer's industry-wide stopage, and are now determined to set up an indepedent trade union.

The Ryzhkov reform plan, which included provisions to more than double the price of foodstuffs from January 1, has been condemned by both conservatives and radicals, and rejected by the parliaments in Ukraine, Belorussia, and the Russian federation.

Salvage workers board blaze tanker

By Alan Friedman in New York

SALVAGE workers yesterday succeded in briefly boarding the Norwegian supertanker Mega Borg, ablaze in the Gulf of Mexico, but the fire was still believed to be burning below decks and the danger of an oil spill remained.

Firefighters reported some progress in dousing flames on board the vessel, which had been burning out of control 57 miles from the Texas coast since an explosion on Saturday.

However, the Coast Guard and municipal officials of Galveston, the nearest city to the stricken tanker, said the danger of environmental disaster remained serious.

The Mega Borg is carrying 38m tons of light crude, more than three times as much oil as was spilt by the Exxon Valdez off the Alaska coastline in March 1989. Of particular concern is the weakness of the ship's hull.

Mr Douglas Matthews, City Manager of Galveston: said: "We think they're doing the best they can, but the facility is not secure yet and they cannot guarantee that the ship will not break into two." He added that after burning for more than three days the ship still had a temperature of 900 deg F.

Mr Matthews, who said it was "unacceptable" that the fire had burnt out of control since Saturday, disclosed that in the event of an oil spill reaching the coast the city would consider the possibility of lawsuits against either the shipper, Mosvolds Rederi of Norway, or Elf Aquitaine, the owner of the cargo.

Elf said it was offering technical help to contain the accident but it believed that liability rested with the shipper. Elf's share price fell about 3 per cent in early trading in Paris yesterday but recovered to close down FFr9 at FFr653 on the day.

Six firefighting ships are surrounding the Mega Borg while aircraft have dropped dispersants on the oil slick around the ship.

Local officials in Galveston warned that the ship was listing and that more than 100,000 gallons of the tanker's cargo had already leaked into the Gulf. The Coast Guard was hoping to make use of the 100 tonnes of carbon foam which had not been sprayed because of fears that the searing hull of the tanker might crack if foam was applied to it.

Ms Barbara Crews, mayor of Galveston, called for an urgent improvement in federal and state oil spillage controls. She warned that a quicker industry response was needed.

Meanwhile, the International Association of Independent Tanker Owners, based in Oslo and representing half the world's tanker fleet, renewed its call for the US Congress to approve international protocols which limit liability in the event of oil spills.

The association predicted that responsible ship owners would otherwise abandon the US market to "buccaneer" operators who would simply go out of business in the event of an accident.

The call was strengthened by the this week's decision by the Royal Dutch/Shell Group to cancel calls on dozens of US ports where it has been delivering crude oil.

High cost of getting tough, Page 4

WORLDWIDE WEATHER

		Y'day midday °C	°F			Y'day midday °C	°F			Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	F	21	70	Dallas †	S	24	75	Madeira	F	22	72	Prague	F	21	70
Algiers	F	25	77	Dublin	C	14	57	Madrid	S	26	79	Reykjavik	F	13	55
Amsterdam	C	14	57	Dubrovnik	S	22	72	Majorca	F	24	75	Rhodes	S	28	82
Athens	S	28	82	Edinburgh	C	12	54	Malaga	S	24	75	Rio de Janeiro	–	–	–
Bahrain	S	37	99	Faro	S	21	70	Malta	S	25	77	Rome	S	23	73
Barcelona	F	20	68	Florence	C	20	68	Manchester	C	12	54	Salzburg	C	17	63
Belfast	C	14	57	Frankfurt	C	18	61	Melbourne	F	15	59	S'Francisco †	S	12	54
Belgrade	S	23	73	Geneva	C	15	59	Mexico City	–	–	–	Santiago	–	–	–
Berlin	S	20	[illegible]	Gibraltar	S	25	77	Miami †	S	26	79	Seoul	F	24	75
Biarritz	F	19	66	Glasgow	C	13	[illegible]	Milan	R	13	[illegible]	Singapore	–	–	–
Birmingham	C	11	52	Guernsey	F	14	57	Montreal †	[illegible]	15	59	Stockholm	C	17	63
Blackpool	C	12	[illegible]	Helsinki	C	16	61	Moscow	F	20	[illegible]	Strasbourg	F	19	66
Bombay	F	31	88	Hong Kong	–	–	–	Munich	C	18	65	Sydney	S	[illegible]	61
Bordeaux	C	22	72	Innsbruck	R	15	59	Nairobi	C	23	73	Tangier	F	23	73
Boulogne	C	14	57	Inverness	C	11	52	Naples	F	27	81	Tel Aviv	S	27	81
Bristol	C	14	57	Isle of Man	C	12	54	Nassau	–	–	–	Tenerife	S	25	77
Brussels	C	15	59	Istanbul	S	22	72	Newcastle	C	11	[illegible]	Tokyo	F	26	79
Buenos Aires	–	–	–	Jersey	S	15	[illegible]	New Delhi	S	33	91	Toronto †	S	16	61
Budapest	F	22	72	Johannesburg	S	16	61	New York †	S	17	[illegible]	Tunis	F	[illegible]	[illegible]
Cairo	S	35	95	Las Palmas	F	24	75	Nice	S	17	63	Valencia	C	[illegible]	75
Cape Town	S	19	66	Leeds	C	11	52	Nicosia	S	26	79	Venice	R	15	59
Cardiff	C	14	57	Lisbon	S	23	73	Oporto	S	23	73	Vienna	S	21	70
Chicago †	F	21	70	Locarno	R	15	59	Oslo	S	20	68	Warsaw	F	23	73
Cologne	C	16	61	London	C	13	55	Paris	C	15	59	Washington †	S	18	64
Copenhagen	F	23	73	Los Angeles †	S	16	61	Peking	–	–	–	Wellington	R	[illegible]	46
Corfu	S	26	79	Luxembourg	C	17	[illegible]	Perth	Dr	15	59	Zurich	C	[illegible]	[illegible]

C–Cloudy. Dr–Drizzle. F–Fair. Fg–Fog. H–Hail. R–Rain. S–Sunny. Sl–Sleet. Sn–Snow. T–Thunder.
† Noon GMT temperatures

London markets boost

Continued from Page 1

any decisive move on the EMS.

Mr Glenn Davies of CL-Alexander Laing and Cruickshank said: "I think this is a red herring." He calculates that underlying UK inflation, at about 6.25 per cent, is still well ahead of the 3.8 per cent average of ERM countries.

Convergence of inflationary trends has been a key government condition of entry, though Tuesday's FT report indicated this might be relaxed.

Some ministers are known to be concerned that Mrs Thatcher will still seek to block entry. Some analysts said yesterday that public predictions of early entry could make backtracking much harder, given the damage this could to sterling.

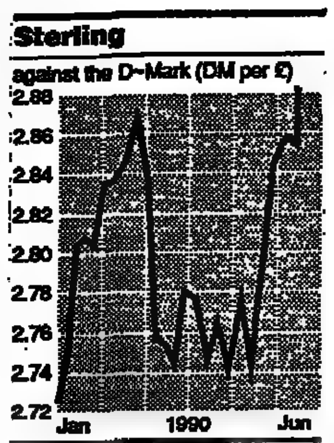
Mrs Thatcher confirmed that she had had several meetings in recent months with Sir Alan Walters, the former economic adviser whose opposition to the ERM led to the resignation last year of Mr Nigel Lawson as Chancellor.

Responding to Mr Neil Kinnock, the opposition Labour Party leader, who suggested that the meeting now threatened to undermine the position of the present Chancellor, Mrs Thatcher insisted that her contacts with Sir Alan were those of a "family friend."

THE LEX COLUMN

A game of chance with the ERM

The Government's tactics on ERM entry are providing a field day for the conspiracy theorists. The chief result of the steady trickle of rumour has been a rise in sterling. This ideally suits the Government's domestic purposes if it shares the view that the UK economy is not slowing down as it should. Assuming interest rates cannot be raised further, the only remaining option is to push up the currency in hopes of frightening the corporate sector out of conceding inflationary wage claims.



But if talk of early entry were merely a ploy, the Government would be playing a dangerous game. As long as the markets believe in autumn entry, any bad news on inflation or the balance of payments is liable to be shrugged off as irrelevant. But if the promise then proved without substance, the effect on sentiment among overseas investors especially could be very damaging. Whatever the original motive, the Government is on the verge of committing itself to entry before Christmas at the latest.

On the other hand, the sooner the decision, the more likely that the broader 6 per cent band will be chosen. The Government may or may not be actively worried about demand at present. But until it is quite clear that the consumer is cowed, there is no domestic case for a reduction in interest rates. The higher the ERM ceiling, the less risk of such a reduction being enforced.

Then again, a 6 per cent band either way is so wide that the ERM sceptic might well ask how much difference it will make. Sterling is now close to the mid-point of its range against the D-mark over the past year. In that time, the divergence has been just 8.9 per cent.

Philips/Olivetti

It is not the first time that Philips' ideas for a strategic alliance have failed to materialise. A plan to create the world's second biggest medical diagnostic equipment manufacturer with GEC was at a much more advanced stage when it collapsed a couple of years ago. Nevertheless, the breakdown of Philips' talks with Olivetti over the future of its struggling information systems business is a serious setback.

Philips needs to regain investor credibility urgently; but yesterday's terse statement is a reminder that it is no nearer getting to grips with one of the main reasons why it did little more than break even in the first quarter. Its computer business is too small to compete in an industry where margins are under severe pressure. It is hard to believe that Philips ever wanted to take Olivetti over. But there was a certain neatness about the idea of the Dutch multinational taking a minority stake in Olivetti, or a joint venture, in return for removing the loss-making business from its balance sheet.

However, such a proposal always looked far more attractive to Philips than Olivetti. Despite its well publicised problems, the latter is still Europe's most successful small computer manufacturer and has an attractive distribution network. It should still be able to command a premium for its position; Philips, by contrast, is going to have a job convincing any partner that it is not just passing on its problems.

Regulation

The Dunsdale Securities affair is awkward and embarrassing for UK's financial regulators. But by itself, it hardly amounts to grounds for alleging that the Financial Services Act has been an utter failure. On the contrary, there is plenty of evidence that for the most part, the post-FSA regulatory bodies have been pretty effective watchdogs, certainly much better than the Department of Trade and Industry.

The SIB, after all, was much quicker than the DTI to spot what was going on at Barlow Clowes. And the SIB's firm but necessary declaration over British & Commonwealth showed that the SIB has not shirked tough decisions in a crisis. As for the self-regulatory bodies like Fimbra, which was Dunsdale's regulator, any failings are more likely to have been the result of its rather pitiful financial resources than of fundamental flaws in its legal powers. With only 130 employees, Fimbra spent £2.9m on regulation in 1988-9, or about £1000 per member firm. If you only have peanuts, the chances are you will only catch monkeys.

None of this means that the regulatory system is working at peak efficiency. Fimbra devoted far too much of 1989 to having to fend off an insurrection from many of its members over the cost of their professional indemnity insurance. The SIB itself has presided over an interminable row about disclosure of life assurance company expenses. It also needs to be more vigilant than it has been to date in stopping some SROs turning themselves into trade associations. But if the FSA had one big flaw, it was that it was simply too ambitious. Things would probably only get worse if affairs like Dunsdale led to some drastic revision of the FSA now.

Meyer International

It is testimony to the gloom surrounding the prospects of the building sector that yesterday's near 19 per cent fall in Meyer's pre-tax profits could prompt a 6 per cent jump in the share price. It may be a long time before the 1988-89 profits total of £87m is repeated; analysts are looking for £60m this year and perhaps £68m next. Some of the problems are self-inflicted; Meyer lost around £40m fruitlessly bidding for Travis & Arnold and it swapped its manufacturing interests for the longer term potential of UBM at the expense of current profits. But as the leading builders' merchant, Meyer was bound to suffer heavily from the downturn in the sector anyway.

The market's optimism springs partly from the fact that the final dividend was increased nearly 12 per cent, after the rather miserly 5 per cent interim rise. There is scope for improvement at UBM and the heating and plumbing merchant Cadel; and despite the sale of the disappointing Australian business, Meyer still has a decent overseas exposure. But the main reason for yesterday's price rise was the chance to buy a recovery stock on only eight times 1991-92 earnings. If, as many expect, spending on repairs, maintenance and improvement picks up quickly as interest rates fall, Meyer will be one of the chief beneficiaries.

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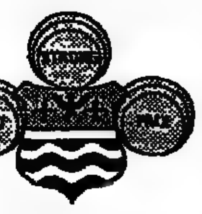
INSIDE

Brewers' profits blow hot and cold



A long, hot summer is always good news for brewers and last year's UK heatwave helped to boost beer sales by more than 5 per cent for Marston, Thompson and Evershed. However, JA Devenish, the West Country-based brewer, fell victim to a cool property market by holding back asset disposals, and pre-tax profits fell £1.3m to £3.84m ($6.47m). The Carlsberg brewery group of Denmark had happier news with a 7 per cent increase in operating profits in the half year to March 31. Pages 28, 24

Moscow marketeers bombard Chicago

Moscow and Leningrad could have their own commodity futures exchanges within a few years if their level of interest in Chicago's two leading exchanges is anything to go by. The Chicago Mercantile Exchange and the Chicago Board of Trade say they have been "besieged by delegations and requests for delegations" from eastern Europe, and to a lesser extent, China. Barbara Durr reports. Page 32

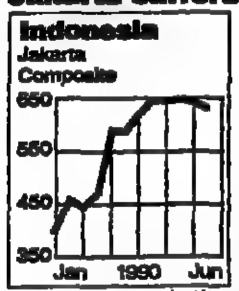
Innovative chemistry

Novo Nordisk, the result of a merger between Denmark's two leading pharmaceuticals companies, may be a minnow in the world's $150bn-a-year drugs industry, but it looms large in innovation. "A company like ours can only survive if it can bring out innovative products," says Mads Ovlisen (left), managing director. Peter Marsh looks at how Novo and Nordisk reshaped their R&D centres when they joined forces. Page 28

Stock market blues

UK office partition specialist Unilock is disgruntled with the stock market. Its chairman, Ken Roberts, says the group's acquisition plans have been frustrated because stock market conditions have kept its share price low despite substantial growth in profits. Yesterday, the company raised City eyebrows by inviting bids, after reporting a 65 per cent increase in pre-tax profits. Page 22

Jakarta suffers growing pains



Indonesia's juvenile stock market is beginning to grow up, nurtured by reforms, overseas investor interest and a flurry of new listings. But as with any youthful market, teething troubles persist, and the question is whether further government measures, such as a new banking law, can keep up with the market's rapid pace of growth. Claire Bolderson reports. Back page

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (DM)

Rises			
Brown Boveri	889	+	41
Gerresheimer	343	+	12
Falls			
Beiersdorf	625	−	18
Rosenthal	346	−	15
Siemens	711	−	7
Volkswagen	595.1	−	7.4

NEW YORK ($)

Rises			
Boeing	58 7/8	+	3/8
IBM	120 3/8	+	5/8
Merck	81 3/4	+	2 5/8
Oracle Systs.	21 1/8	+	1/8
Sun Microsysts	33	+	1 1/8
Falls			
Chase Manhattan	25 7/8	−	5/8

PARIS (FFr)

Rises			
Carnaud	3535	+	40
Essilor	2610	+	50
Vallourec	338.7	+	12.7
Falls			
Cogifi	472	−	18
Eurocom	2250	−	70
Pechelbronn	1650	−	30

TOKYO (Yen)

Rises			
Hoxan	1270	+	200
Nippon Kakoh	1170	+	170
Sansui Electric	1180	+	90
Showa Chemical	1380	+	140
Taisan	1290	+	140
Falls			
Fukuoka City	1860	−	170

LONDON (Pence)

Rises			
Aberdeen Pet.	21	+	[illegible]
Argyll Grp	232	+	5 1/2
Blue Circle	244	+	6
Cable & Wire.	560	+	15
Cambridge Elec.	177	+	11
Electron Hse.	69	+	9
GKN	399	+	5
ICI	1236	+	13
Lloyds	289	+	4
Sainsbury (J)	285	+	5
[illegible]	81	+	19
Unitech	389	+	8
Falls			
Devenish (J.A.)	169	−	12
Fisons	356	−	11
Granada	273	−	4
Haemocell	68	−	37
Racal Elecs.	211	−	3
Redland	597	−	1
Tarmac	244	−	1
TSB	143	−	1

Pierre Bérégovoy: authorised purchase by Kymmene

Stora barred in Darblay deal

By George Graham in Paris

THE FRENCH Government has blocked Stora, the Swedish pulp and paper group, from taking over Chapelle Darblay, the newsprint and magazine paper producer, in partnership with Kymmene of Finland. Kymmene will proceed alone with the FFr1.32bn ($232m) acquisition.

The French finance ministry objected to Stora's involvement on the grounds that it would have been too dominant in the magazine paper market. French officials said the deal would probably have been referred to the Competition Council on concentration grounds, had Stora not withdrawn. Stora had no comment yesterday.

The terms of Kymmene's purchase of Darblay from Pinault, the leading French timber group, are otherwise unchanged.

Stora had initially said its main interest in Darblay was the newsprint plant at Grande Couronne, near Rouen, but only weeks after announcing its joint deal with Kymmene in early April, it reached agreement to take over Feldmühle Nobel, the leading West German paper producer, for DM4bn ($2.36bn).

Since the end of last year, Feldmühle has owned 100 per cent of Papeterie Béghin-Corbehem, whose only domestic competitor in the market of lightweight coated paper (LWC) for magazines is Darblay's St Etienne du Rouvray mill.

Darblay expects to sell about 238,000 tonnes of LWC paper this year, giving it around 18.5 per cent of the French market. Its forecast for newsprint is 324,000 tonnes – a 25 per cent market share.

Mr Pierre Bérégovoy, the French finance minister, has authorised the purchase after Kymmene undertook to safeguard Darblay's 1,170 jobs, maintain production on the two separate sites, and maintain competitiveness through plant investments.

Mr Hervé Guillaume, Darblay's managing director, said recently that, to remain competitive, the company needed to invest FFr4.5bn over the next five years.

Competition in the French newsprint market, in particular, is expected to intensify as two new mills come on stream.

Kymmene, a leading Finnish forest products group, strong in the LWC market, also undertook to continue repaying FFr1.05bn which Darblay owes to the French Government and to maintain favoured relations with the French press.

For 15 years, Darblay has been one of France's lamest industrial ducks, with a series of bankruptcies and government bailouts behind it.

The current Socialist Government did not applaud its predecessor's deal to sell Darblay to Mr François Pinault, France's leading timber merchant, for FFr450m in 1988.

It felt its criticisms were justified when he began negotiating the company's sale less than two years later.

"This time we have a serious industrial shareholder, and I think it will really be the last episode in the Chapelle Darblay soap opera," commented an official.

Stora four-month results, Page 22

View from the top of Bank of America

David Lascelles meets the group's new chairman

On a clear day, Mr Richard Rosenberg can see the entire bay of San Francisco from his 40th floor office. He needs clear vision. As the new chairman of Bank of America he inherits an institution which courted disaster in the mid-1980s but has now recovered to fight another day.

Under its outgoing chairman Mr Tom Clausen, Bank of America absorbed more than $1bn of losses, and suspended its dividend for three years in a row. Thanks, however, to a ruthless programme of restructuring, the bank is lean and profitable again. In capital terms, it is among the strongest of the largest banks in the US.

"We want to dominate the West across all market segments," says Mr Rosenberg in a confident tone which has not been heard at the bank's headquarters for nearly a decade. Mr Rosenberg himself only joined the bank in 1987.

A wiry, lively man with a ready laugh, he marks a sharp change from the stolid, fleshy form of his predecessor. Where Mr Clausen pushed Bank of America forward with steady purposefulness, Mr Rosenberg is expected to do it with dynamism and drive. He also comes from a different background.

For many years he worked for Wells Fargo, Bank of America's main San Francisco competitor which is known above all for an almost obsessive attention to cost-cutting and marketing. He is plainly counting on two of the bank's restored assets to help him through: the fresh stock of capital, and the improved morale of the staff.

The capital, he says, will give Bank of America the flexibility to grow, and that always motivates people. "This place is filled with talent," he claims.

The main point with which Mr Rosenberg has to come to terms is that his bank is now a somewhat different creature from what it was before the crisis. (He refuses, incidentally, to comment on whether Mr Clausen's legacy might contain similar unpleasant surprises to those which erupted after he retired for the first time in 1981, and had to be called back to sort them out.)

Bank of America has shed large parts of its overseas operations: its UK mortgage business, its Italian retail bank, its credit card business in the Far East. Overseas branches have fallen from over 100 to only 39 in five years, and overseas assets are down by nearly a third to $17bn. But at least the overseas business is profitable again, and Mr Rosenberg expects it to earn about $400m this year, excluding the effects of third world debt.

The focus will be on serving international corporations, particularly in Europe and around the Pacific. The result of the changes is that Bank of America is concentrating on the area in which it has been most successful: serving the domestic West Coast market, particularly the retail segment where it has long been the dominant player.

With California's population growing at the rate of 700,000 a year the best prospects clearly lie on the bank's own doorstep. It has 850 branches in the state, which Mr Rosenberg thinks is about enough. Efforts are now being aimed at expansion into neighbouring states.

Aside from Seafirst, one of the largest banks in the state of Washington, Bank of America, has bought a bank in Nevada and recently acquired a $2bn thrift in Arizona. This is being backed by hefty investment in infrastructure and back-office systems.

Bank of America clears 5 per cent of all cheques in the US and therefore stands to benefit from the development of new labour-saving technology. By the same token, however, this costs a lot to install.

An event which looms on the horizon is the opening up of the Californian banking market to out of state banks in 1991. But Mr Rosenberg expects this to be "the great non-event of all time."

He doubts that any out-of-state banks will be able to acquire Californian banks of any size, or make big inroads into the market if they try and start from scratch. This view seems to be confirmed by the attitude of the large New York banks, for example; few currently have the resources to make a big assault on a market as large as California.

Richard Rosenberg: A need for a clear vision

If there are prospective problems for Mr Rosenberg, they hang on questions about the soundness of the West Coast market, particularly in property. Mr Rosenberg admits that real estate in Arizona is a disaster, but he justifies his purchase of a thrift there on the grounds that the underlying economy is strong.

The California market itself is patchy. Another issue which will confront him is the environment, where the implications for bankers are only now beginning to emerge. How are environmental factors to be built in to credit decisions? What liabilities could bankers be exposed to by lending to companies guilty of pollution? All these questions will probably erupt most sharply in an environment-conscious state like California.

Philips and Olivetti abandon talks

By Michael Skapinker in London and Haig Simonian in Milan

PHILIPS of the Netherlands and Olivetti of Italy, two of Europe's leading electronics companies, have abandoned negotiations on possible collaboration.

In a joint statement yesterday the two groups said: "The talks have shown that at this moment co-operation in the investigated areas offers no substantial benefits to either company."

The talks, which came to light last April, provoked speculation that Philips wanted to take control of Olivetti to bolster its own struggling computer operations. Both companies denied this had been discussed.

Earlier this year Mr Cor van der Klugt, outgoing Philips president, had hinted strongly that Philips would take over a computer company. The ending of talks with Olivetti removes one obvious contender from the field. Philips said yesterday that it was talking to other companies in Europe and elsewhere.

It is believed the two groups discussed an offer by Philips to transfer its computer division to Olivetti in exchange for an equity stake in the Italian group. Philips, however, denied yesterday that it had ever acquired Olivetti shares or negotiated to do so.

Olivetti also said the two companies had examined collaboration in the field of printers and electronic components.

Mr van der Klugt said last March that it was vital the Dutch company remained in the computer business, despite losing "hundreds of millions of guilders" in the sector last year.

Mr Jan Timmer, Mr van der Klugt's designated successor, will need to find a solution for both the computer business and the group's semiconductor operations, which also suffered heavy losses last year. Mr Timmer's appointment is due to be confirmed by an extraordinary general meeting of Philips shareholders on July 2.

Analysts say Olivetti's decision to withdraw from the talks stemmed from the judgment that the cost of restructuring the computer operation at Philips outweighed any potential gains.

The need to concentrate management time and financial resources on internal developments is thought to have played a major part in Olivetti's decision. Olivetti has been involved in a restructuring process, which has seen the group split into several separate, customer-driven divisions.

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Chrysler and Renault end plans for $500m joint car venture

By Kevin Done in London

CHRYSLER and Renault are abandoning their planned $500m venture to develop a joint vehicle for production in both western Europe and in North America.

The project to develop a four-wheel-drive leisure utility vehicle was already well-advanced. It was an important element in the US automaker's attempt to break back into the western European vehicle market.

Chrysler said yesterday: "The joint programme as structured, is no longer economically attractive."

The collapse of the project is an unexpected blow for Chrysler, as the venture had already been under development for more than two years.

It is understood that the two companies have concluded they cannot make the venture profitable.

The management structure developed for the project has proved unworkable and the two companies disagreed over concepts for the vehicle in terms of size, equipment and price.

The companies' distribution plans in Europe, where each would have taken exclusive rights in different countries, have also run into opposition from the European Commission.

Financial problems also arose with the Spanish authorities over use of the former Renault plant, which was being closed down.

It is also believed that Renault, which has recently embarked on a wide-ranging alliance with Volvo of Sweden, has become increasingly concerned about the long-term future of Chrysler.

The US carmaker faces sharply falling profits, tumbling domestic market share and has been hit by a series of senior management defections.

Chrysler, which is the third largest US auto maker, has been seeking ways of returning to the European market following its withdrawal at the end of the 1970s.

The threat of financial financial collapse forced Chrysler to sell its European operations to Peugeot of France.

Chrysler said yesterday that it intended to continue with the four-wheel-drive vehicle development programme, code-named JJ, without Renault.

It said it might seek another partner for the leisure utility vehicle project.

The plan to produce the vehicle at a former Renault plant in Valladolid, Spain will be abandoned, however.

Kitcat & Aitken rescue plan fails

By David Barchard in London

A LAST DITCH attempt to save Kitcat & Aitken, the London securities house, failed yesterday after a Deutsche Bank board meeting in Frankfurt rejected proposals to buy the firm's agency operations.

Kitcat & Aitken was closed two weeks ago by its parent Royal Bank of Canada – with the loss of 125 jobs. The bank had concluded that it would not make a return on its investment.

Several senior figures in Kitcat & Aitken, including Mr Peter Nuttall, the senior partner, and two senior salesmen, Mr Nicholas Spearing and Mr Michael Oliver, have been in talks during the last week with Deutsche Bank Capital Markets in London.

The proposed deal would have involved Deutsche Bank taking over the agency broker activities of Kitcat & Aitken, but not its market-making side, and perhaps buying the name of the 90-year-old stockbroker at a nominal price from Royal Bank of Canada.

Deutsche Bank Capital Markets at present mainly handles fixed interest securities. Kitcat & Aitken believed it could offer Deutsche Bank a combination of good research facilities, including several well-regarded analysts, and coverage of more than half of the UK equity market.

Deutsche Bank's other UK subsidiary, Morgan Grenfell, the City merchant bank which it bought last autumn, withdrew from the UK equities market two years ago.

Although it would not have been directly involved in the deal, it would have been offered close contact with a research-based agency broker.

Mr Nuttall led a team of 12 senior managers from Kitcat & Aitken to Frankfurt on Monday to hold talks with Deutsche Bank. He had persuaded its main stockbrokers to stick with the firm in the hope that a rescue deal would be struck.

Now that Deutsche Bank has rejected the proposal, Kitcat & Aitken's managers and salesforce teams are expected to leave within days.

"Our board decided that we should not proceed with the deal. Our feeling is that there is going to be a lot more difficulty in this market," a spokesman for Deutsche Bank Capital Markets said.

Kitcat & Aitken marketmakers were not included in the proposed deal with Deutsche Bank. Yet their plight was less dire than generally thought. Over the last financial year, revenues were £2.5m ($4m), with £1.5m costs.

INTERNATIONAL COMPANIES AND FINANCE

ITT to sell Alcatel stake to CGE

By Roderick Oram in New York

ITT is to sell a 7 per cent stake in Alcatel for $640m to Compagnie Generale d'Electricité, its French partner in the joint venture in the manufacture of telecommunications equipment.

The two companies formed Alcatel in 1986 by pooling their telecommunications assets, once the historic core of ITT before it became a broadly diversified industrial and services group.

After buying out some small shareholders in recent years, CGE currently owns 63 per cent of Alcatel.

ITT said yesterday it would retain a 30 per cent interest in Alcatel which it considers an "important growth vehicle for ITT" because of its leading position in telecommunications in Europe.

The US group will book a second quarter $139m after-tax capital gain on the sale and will use most of the proceeds to buy back more of its own shares.

ITT appears to be getting a good price for the Alcatel shares. When it first mentioned in May its willingness to negotiate with CGE, analysts put a value of about $3bn on the full 37 per cent stake, implying a price of about $570m for 7 per cent.

Alcatel's performance has picked up markedly over the past few years, generating net profits of $588m on sales of $14.1bn last year. None the less, ITT still earned last year only a 9.6 per cent return on its investment in Alcatel. This smaller return compared with ITT's other businesses helped depress the group's stock price.

Although the sale will help bolster ITT's share price, the group said the deal did not mark a change in strategy.

French state moves on Framatome control

By William Dawkins in Paris

CREDIT LYONNAIS, the French state-owned bank, is assisting the French Government in an attempt to win state control of Framatome, the nuclear plant builder in the throes of a partial bid from one of France's biggest private companies.

Compagnie Générale d'Electricité (CGE), the privatised engineering and electronics group, agreed three months ago to buy out a fellow minority shareholder and take 52 per cent control of Framatome, the main supplier of nuclear plant to the French electricity board.

Mr Jean-Yves Haberer, Crédit Lyonnais chairman, now says he is prepared to take a 6 per cent stake in Framatome, which would have the effect of handing majority control to government-owned bodies which currently own 45 per cent of the nuclear plant builder.

The CGE accord has run into resistance from President François Mitterrand, who wants to keep this strategically sensitive company under government control, and provoked intense opposition from Framatome's management.

Framatome's political sensitivity comes from its position as the only supplier of nuclear plant in a country which derives 80 per cent of its electricity from nuclear power.

Complex negotiations for a compromise are far from over, but CGE's attempt, which has tested the Government's liberal policies to the limit, now looks in serious difficulty. However, government officials deny any plans to nationalise Framatome outright, a move which would contradict Mr Mitterrand's policy of allowing neither new nationalisations nor privatisations.

The CEA atomic energy commission owns 35 per cent of Framatome, with another 10 per cent in the hands of Electricité de France, the electricity board. The row is about the agreement between CGE, owner of 40 per cent, to buy another 12 per cent held by Dumez, the construction group.

After several months in which government ministries were split over whether to welcome or oppose CGE, Mr Pierre Bérégovoy, the Finance Minister, is now taking the lead in seeking a solution in which control of Framatome would rest with the state.

Crédit Lyonnais is mediating with other industrial groups which have shown interest in buying into Framatome. Potential suitors include Aerospatiale which put itself forward yesterday, Bouygues, the construction giant, Schneider, the engineering company, and Navigation Mixte, the industrial and financial services conglomerate.

However, CGE has not yet received an official offer for the shares it has agreed to buy from Dumez and neither has it decided to sell. "We are still ready to discuss. We have always said that the state should play a role in Framatome," said CGE.

SE Banken in 10% rise

By John Burton

SKANDINAVISKA Enskilda Banken, one of Sweden's top three commercial bank groups, reported an operating profit increase of 10 per cent to SKr1.6bn ($261m) during the first four months of 1990, but a fall in return on capital to 17.6 per cent from 18.3 per cent.

It predicted that operating profits for the year would increase by a similar rate.

The bank operations posted a gain in operating profits of 6.5 per cent to SKr1.1bn, saying that earnings at its Swedish units "improved substantially."

Trustor buys gear maker

By John Burton

TRUSTOR Automotive, a Swedish vehicle components manufacturer, yesterday purchased FHS Stahlverformung, a West German company which claims to be Europe's leading producer of gear devices for the car industry.

The seller is USX, the US steel and energy concern. The deal is the latest example of how Swedish components makers are moving into the European Community as Sweden's two vehicle companies shift more production there.

Baltica net profits fall sharply in first quarter

By Hilary Barnes in Copenhagen

FIRST-QUARTER net profits at Baltica Holding, the Danish financial services group, fell from DKr154m to DKr118m and earnings per share were cut from DKr14 to DKr7, according to the interim report yesterday.

The decline in earnings was attributed to fierce competition in several of the group's main activities and reduced investment income, reflecting a weak Danish bond market.

Pre-tax earnings by the insurance group were down to DKr131m ($20m) from DKr155m, while the finance group increased profits to DKr49m from DKr35m.

The ambulance and vehicle rescue company, Falck, made a DKr19m loss compared with a DKr15m profit in the same period last year. Measures to correct the situation are being taken, said the report.

Return on investment was not satisfactory, according to the report for the insurance group. In addition to a weak bond market, this reflected the group's DKr2.4bn investment in Victoire, the French insurance group, which will only yield a return corresponding to interest income foregone.

On the present level of security prices and foreign exchange markets, earnings this year will be slightly down on 1989, the group forecast.

Group income in the first quarter was slightly down.

Profit fall in pulp and newsprint hits Stora

By John Burton

STORA, Europe's largest pulp and paper group, yesterday reported a 22 per cent fall in profits after financial items to SKr1.1bn ($179m) in the first four months of 1990. Sales were down by 2 per cent to SKr13.6bn.

It added that its recent DM4bn ($2.359bn) acquisition of West Germany's Feldmühle Nobel would make the decline in earnings for the year less severe than it had previously expected.

Stora blamed the profit fall on lower earnings in its pulp division, which fell by 21 per cent to SKr367m, and the newsprint division, which dropped by 40 per cent to SKr162m.

It said profits would be lower for the year due to slower economic growth in major markets and increased capacity in paper production. Stora is also being affected by high costs in Sweden where most of its facilities are located.

It earlier estimated that profits for 1990 would fall by the same rate as during the first four months, resulting in an earnings figure of SKr3.1bn for 1990 compared with SKr3.9bn in 1989.

But with Feldmühle Nobel becoming a subsidiary last month, despite the continued absence of approval from the West German cartel office, Stora believes the acquisition will add between SKr100m and SKr150m to profit figures this year. This is primarily because Stora will be able to supply pulp to Feldmühle Nobel, reducing its dependence on pulp price trends in the general market.

Group tries to scrap Conti voting limit

A WEST GERMAN shareholder lobby group said it would try to scrap Continental's 5 per cent voting limit at the German tyre maker's June 27 annual meeting, Reuter reports. The Deutsche Schutzvereinigung für Wertpapierbesitz said it needed the backing of shareholders with more than half of Continental's capital.

Esselte sells property holdings in restructure

By John Burton in Stockholm

ESSELTE, the Swedish office products and media group, yesterday sold its domestic property holdings to the Swedish government-affiliated National Pension Insurance Fund for SKr3.4bn ($555m) as the first step in its restructuring strategy.

The value of the deal exceeded expectations. Analysts had judged the property, which includes prime sites in Stockholm and Gothenburg, to be worth about SKr2.5bn. Esselte estimates that it will net SKr2.3bn from the sale.

The favourable deal means that Mr Hans Larsson, Esselte president, is likely to have succeeded in achieving and possibly exceeding his goal of raising earnings per share to between SKr15 and SKr18 in 1990 from SKr12.20 last year. Mr Larsson said the property sale would result in an increase of SKr7 per share on a full-year basis.

Mr Larsson proposed in February the sale of Esselte's media and property holdings in order to block a leveraged buy-out bid by the company's principal shareholders, including the Mobilia and Ratos investment companies.

He estimated that the divestment strategy could double profits after financial items to SKr1.5bn in 1991 from SKr735m in 1989. Capital from the sales will be used to expand Esselte's core business in office supplies and products.

Mobilia and Ratos agreed to drop their buy-out bid and accept Mr Larsson's plan, although they subsequently ousted the company's chairman and four board members last month and increased their shareholding to 60 per cent.

The property purchased by the National Pension Insurance Fund, which administers contributions paid into the supplementary national pension system, includes the landmark Norstedts publishing house on Stockholm's Riddarholm island, the Esselte headquarters in the Stockholm suburb of Solna and the Weståta premises in Gothenburg. Esselte will rent some of the property from the pension fund.

Intense interest is being shown by potential buyers in Esselte's media holdings, which are conservatively valued at SKr2.5bn, although some analysts believe Esselte could receive a total of SKr4bn for them.

Its media interests include the loss-making pay TV channel Filmnet, which is the subject of a bid by France's Canal Plus, and a consortium consisting of France's TF1 channel and the Swedish investment company Kinnevik, which also operates the Nordic regional TV3 satellite channel. Esselte also owns the Norstedts publishing house as well as graphic and printing facilities, its original business.

Although Esselte suffered a 48 per cent drop in profits after financial items to SKr106m during the first quarter of this year, it expects operating profits to recover.

Building downturn hits Meyer

By Jane Fuller in London

THE DOWNTURN in the UK building sector knocked 19 per cent off the pre-tax profit of Meyer International, the UK's largest distributor of building materials, in the year ended March 31.

The fall in taxable profit, from £87.19m to £70.79m, was greeted by the stock market with a 21p rise in the share price to 395p, as signs of relief were breathed at the damage limitation and hopes grew of a 1991 recovery. This compares with a high of 473p last year.

Meyer was affected not only by the fall in new housing starts – down 22 per cent in the UK private sector last year and still falling – but also by the first downturn for 10 years in repairs and renovation.

Group turnover advanced by nearly 20 per cent to £1.14bn. The increase reflected both a full-year contribution from the former UBM outlets, acquired in late 1988 from Norcros in a swap of businesses, and a £106m inflow from Pont-Meyer, the Dutch subsidiary bought two years ago.

To limit the damage, the company had made cuts, including shedding 15 per cent of the Jewson builders merchants' workforce. Some of the 220 outlets had been closed.

Stock losses force Avesta down 95%

By John Burton

AVESTA, the Swedish stainless steel group, reported that profits after financial items fell by 95 per cent to SKr29m ($4.7m) during the first four months of 1990 due to stock losses.

It forecast that profits for the year would probably be lower than the 1989 figure of SKr406m. A decline in the value of nickel reduced the value of Avesta's stocks from a profit of SKr255m during the first four months of 1989 to a loss of SKr155m in the same period this year.

Profits for cold-rolling steel plates were lower, while that for other product areas had improved or remained the same. Excluding stock valuation changes, profits fall 38 per cent to SKr178m.

Avesta said it was difficult to judge the outlook for the rest of the year since nickel prices may still be subject to speculative pressures, but it hoped for a stable market in 1990 and improved conditions in 1991.

Avesta announced earlier this year that it planned to reduce its workforce by 500 to improve profitability.

Japanese hold on tight through market typhoon

Michiyo Nakamoto finds individual investors battered but still buying after the Tokyo stock market's second worst fall

The plunge in Tokyo stock market values this year shattered the myth that Japan's stock prices rise endlessly, and stories abound of local investors who were seriously burned by the market's plunge. However, there have been few signs of a mass retreat from equity investment.

Mr Masao Shibata (not his real name) lost as much as Y200m ($1.3m) during the fall. He remembers standing transfixed before the stock price screen in a branch office of a big Japanese securities firm on April 2, the day the Tokyo stock market suffered its second worst fall.

It was one of the rare occasions in his many years of investing in the stock market that Mr Shibata, who runs a lucrative business in tailor-made suits in the flashy Akasaka district of Tokyo, had felt the urge to check the price screen to see how bad it really was.

As he watched share prices nosedive across the board, Mr Shibata kept thinking about the advice of the professionals, whom he consulted regularly, to "buy when the market bottoms out."

He says with more than a hint of self-reproach: "I knew I should be buying, but I was in such a state of confusion that I just couldn't think of what to buy."

As Mr Shibata looks back on the first three months of the year that wiped 28 per cent off the market's value, his greatest regret is that, by the time the market did hit bottom, he no longer had the nerve to buy.

Until then, like many Japanese individual investors, he had continued to buy stocks, undaunted by the market collapsing, or unwilling to believe that it was. "It was like someone going through a mine field, stupidly believing that others might be hit but I alone would be able to get through safely."

Mr Shibata has no intention of giving up investing in stocks: "I have not reduced my exposure," he says.

The Tokyo stock market was rocked by panic-selling by institutional investors and waves of programme trading by professional dealers. But Japan's individual investors, though shaken by the turmoil they saw on the market week after week, held firmly to the belief that the market would soon recover.

In February and March, the market lost Y110,000bn in value, a sum equal to about a quarter of Japan's gross national product. But during that time, buying by individuals exceeded selling for the first time in almost a year. In March, individuals pumped Y626bn more into the market than they took out of it, even though the Nikkei average of 225 leading shares plunged another 11 per cent in the period.

"I didn't have the slightest urge to sell because I thought that eventually the market would recover," says an investor who works for a big Japanese trading company and prefers not to be identified.

It seems that what kept individuals buying amid the confusion and panic of those tumultuous months was the still vivid memory of Tokyo's remarkable rebound after the worldwide stock market crash of October 1987. For many investors watching stocks tumble to a third or even half of the price they commanded just several weeks before, the memory of Tokyo's quick recovery after Black Monday kept coming back to remind them that big gains only came to those willing to take big risks.

Individuals had been a major force behind Tokyo's recovery in 1987, and those who had been brave enough to buy had made handsome gains. "Buying stocks is not exactly the same as gambling," says Mr Shibata, "but there is an element of gambling involved."

Having learnt from Black Monday, even the more cautious investors hung on to their stocks this time, believing that sooner or later the tide would turn.

Mrs Harue Abe, a housewife whose profits from stock in the bull years helped her buy a house in a Tokyo suburb, says that she did not sell even at the worst time this year, because she did not need to. "Most investors know that prices will recover sooner or later and that they would be foolish to sell now."

Mrs Abe confesses that she is now tempted by several issues with strong fundamentals whose prices have fallen to what she believes are unrealistically low levels.

This sort of confidence also continues to be reflected in the economy at large. Japanese consumers have not given up their taste for the good life. Sales of luxury cars have risen steadily this year, with sales in March marking a 174 per cent rise over the year before. Sales from department stores have also been strong, while the number of Japanese who travelled abroad during the Golden Week holidays earlier this month hit a record high.

Although economists warn that the effects of the market's fall on consumption, and on the economy as a whole, will take time to emerge, the most conspicuous slowdown so far has come in the kind of speculative activity that helped blow the Japanese asset bubble out of proportion in the first place. There have been rumours of speculators who bought stocks on margin, then failed to pay their brokers, and at least two large investor groups have defaulted on their loans.

But on the whole, Japanese investors have taken their losses in their stride. Mr Shibata shrugs off the idea that his huge losses on the stock market this year might affect his life style. "If my wife asks me to buy her a ring, I can't say no, just because stock prices have fallen. You have to buy what you need to buy, don't you?"

The cool response of investors to this year's market fall has prompted a suggestion that the Japanese may have become more like British aristocrats. Gambling, says Mr Yuji Aida, a professor in Kyoto, used to be reserved for aristocrats because, even if they lost a lot of money, they would not lose their sense of self.

SAB to buy up Southern Sun stakes

By Philip Gawith in Johannesburg

SOUTHERN SUN, the largest owner and operator of hotels in Africa, is to be delisted from the Johannesburg Stock Exchange following an announcement yesterday by South African Breweries (SAB), its majority shareholder, that it will be buying out minority holdings in a R120m ($45m) deal.

The rationale given for the move is the need to effect long-term restructuring at Southern Sun, including a possible recapitalisation, which could lead to a conflict of interest with minority shareholders. Southern Sun's debt-to-equity ratio has almost doubled from 33 per cent in 1985 to 64 per cent now because of a refurbishing programme.

Measures are likely to include higher retained earnings – 70 per cent of attributable profits are currently distributed – and further financing to reduce its reliance on high-interest debt.

Kersaf Investments has accepted 485 cents per share for its 21 per cent stake, but other minority shareholders, which hold 10.6 per cent between them, will be paid 650 cents per share. This compares with a market price of 585 cents before trading was suspended.

The move takes place against the background of an industry slowly recovering from a recession which resulted from a downturn in the domestic economy combined with overcapacity in the hotel industry. Southern Sun, which caters for the middle and upper end of the market through the Southern Sun and Holiday Inn chains, was badly hit.

Although profits have recovered in the past two years, the outlook for the medium term is not good. Foreign tourism is picking up following the political thaw in the country, but this only accounts for about 12 per cent of Southern Sun's occupancy, currently in the region of 64 per cent. The domestic economy is in a recessionary phase.

Started in 1969, Southern Sun was built up by the flamboyant Mr Sol Kerzner. Apart from revolutionising the hotel industry, his marriage to a former Miss World and his development of casinos in nominally independent "homelands" made him a celebrity, the local equivalent of Mr Donald Trump.

The group was split in 1983 with Southern Sun keeping control of domestic hotel operations – currently 54 hotels with more than 10,000 rooms.

Mr Kerzner took control of the casino and resort interests in neighbouring regions under the Sun International umbrella.

● **Rembrandt**, the tobacco-based South African group which spun off its international interests into the Swiss-based Richemont, lifted pre-tax profits 16.4 per cent to R770.4m in the year to March, Our Financial Staff writes.

A total dividend of 25 cents per share has been declared, up from 20 cents and paid from net earnings of 144.0 cents, compared with 115.1 cents.

UAE company buys into Spanish hotels

By Peter Lieftinck in Dubai

ARABIAN General Investment Corp (Agico), a Dubai-based investment holding company, has bought 27 per cent of Grupo Husa, a Spanish hotel and catering group, in a deal valued at Pta5bn ($48m).

Husa owns 11 hotels in Spain and manages or leases a further 45. The Barcelona-based company also manages hotels in Belgium and Mexico and is looking to sign new management contracts in eastern Europe, Latin America and the Gulf.

It plans to use the cash raised from the sale to fund an expansion programme in Spain. The company intends to own at least one hotel in each Spanish province within two years. Husa also plans to go public with a flotation on the Spanish Stock Exchange in the next two to three years.

The family-controlled Spanish company is hoping to benefit from business generated by the Barcelona Olympics and the Universal Exhibition in Seville, both to be held in 1992. Mr Juan Gaspart, Husa's president, is chairman of the Spanish Olympic Committee.

Agico has assets of more than $100m and is quoted on the Kuwait Stock Exchange. Its principal investors include Dubai's ruling Al-Maktoum family and other private individuals in the United Arab Emirates, Kuwait and Saudi Arabia.

Distributor of Proton car to be floated in Malaysia

EDARAN Otomobil Nasional (EON), the distributor of Malaysia's Proton national car, is to be floated on the Kuala Lumpur Stock Exchange through an issue representing 30 per cent of its equity and raising a net M$153.7m (US$57m). Our Financial Staff writes.

The offer of 36m shares is priced at M$4.30.

The state, which owns 70 per cent of EON, will reduce its holding to 49 per cent.

Kualapura, a company jointly owned by Japan's Mitsubishi Corporation and Mr Rin Kei Mei, EON director, will see its 30 per cent stake drop to 21 per cent.

EON forecasts a 10.9 per cent rise in pre-tax profit this year to M$51m.

INTERNATIONAL COMPANIES AND FINANCE

Hawke backs rebuff of Maxwell bid

By Kevin Brown in Sydney

THE Australian Government yesterday confirmed that the Australian media industry would remain virtually closed to foreign companies following the rejection of a A$250m (US$193m) bid by Mr Robert Maxwell, the British publisher, for a 49 per cent share in the West Australian, a Perth-based daily newspaper.

Mr Bob Hawke, the Prime Minister, said he fully supported the rejection of the bid on Monday by Mr Paul Keating, the Treasurer (finance minister), and indicated that an earlier offer by Mr Maxwell for the Melbourne Age would have been blocked if it had been acceptable to John Fairfax, the newspaper's owner.

"We've given an indication quite clearly in the past of our attitude on these matters," Mr Hawke said. "Obviously, I'll have a yarn with Paul about it, but we've been at one in our thinking on these issues, and we've reflected that in regard to the Age previously. I would not think there would be any reason to change that."

The Treasury also dismissed criticism of the decision by Mr Maxwell, who had suggested there was no Australian legal barrier to his Mirror Group's bid for a substantial stake in the West Australian.

The Treasury said all purchases by foreign companies of shareholdings in excess of 14.9 per cent of Australian companies were subject to investigation by the Foreign Investment Review Board and possible rejection by the Treasurer.

The Government is entitled to raise the ceiling in individual cases or in the case of industry sectors such as television, for which it recently declared a 20 per cent limit on foreign shareholdings.

However, the Treasury said Mr Keating's suggestion that a 25 per cent shareholding was usually regarded as sufficient to take effective control of a company with a diverse share register had not been intended to set a ceiling for foreign shareholdings in newspapers.

The Treasury also said the Treasurer's ruling had no implications for newspapers owned by companies controlled by Mr Rupert Murdoch.

Officials said Mr Murdoch's Australian holdings had been acquired when he was an Australian citizen, and the Government accepted that he had been forced to take US citizenship because of his business interests there.

The collapse of the deal is a further blow to Mr Alan Bond's struggling Bond Corporation, which owns 74.5 per cent of Bell Group, which in turn owns the West Australian.

Winterthur reports 'very good' five months

By William Dullforce in Geneva

WINTERTHUR, Switzerland's third largest insurance group, has experienced "fairly good" growth in business and "very good" financial results in the first five months, according to Mr Peter Spälti, chairman and chief executive.

Management had foreseen a slowdown in the general expansion of the insurance market compared with 1989, but expects the group to maintain a higher growth rate than the market.

Losses due to the storms which caused severe property damage in Europe in February and March had been largely covered by reinsurance and should not affect the 1990 results.

Last year Winterthur posted a 22.6 per cent advance to SFr270.3m (US$188m) in net consolidated earnings and proposes to raise the dividend from SFr64 to SFr68 per share and from SFr12.80 to SFr13.60 per participation certificate.

Mr Spälti gave no figures for the first months of 1990 but this year's results will be boosted by the US$630m purchase in March of General Casualty, a Wisconsin-based US insurance group with a focus on corporate business.

Mr Spälti said General Casualty had realised a net profit of some $40m on a premium volume of around $400m in 1989.

Paying off part of the provisional financing raised for the General Casualty acquisition is one reason for the two-part capital increase shareholders will be asked to approve on June 28. The first part comprises a rights issue of new registered stock at a price of SFr2,000 per share.

In the second part, combined with a SFr507m warrant issue, shareholders will be offered bonds of SFr5,000 nominal value, containing options to new registered stock. The conditions will be announced shortly before June 28.

Winterthur will enter foreigners who exercise their rights under these offers into its shares register. Mr Spälti estimated that the proportion of stock in foreign hands could rise from just less than 7 per cent to 10 or 12 per cent.

The purchase of General Casualty continues the international expansion that the group has been pursuing for several years. In the US, where Winterthur now has a premium income of about $1.2bn, strategy has concentrated on buying medium-sized regional insurance companies, which, Mr Spälti said, were more profitable and more easily managed than large concerns.

Last year the group's gross premium income climbed by 12.1 per cent to SFr11.8m, of which 64 per cent was generated by non-life operations which have been growing faster than the life business. Non-life activities contributed pretax earnings of SFr330m compared with SFr61m from life insurance.

Kone raises profits to FM123.6m

By Enrique Tessieri in Helsinki

KONE, the Finnish lifts and cranes group, increased pretax profits to FM123.6m (US$31m) for the first four months of 1990 from FM91m for the same period last year.

Earnings per share rose to FM14.77 from FM10.30, on net sales 22 per cent ahead at FM2.3bn, while operating income increased to FM228.5m from FM165.6m.

Kone, which is owned by the wealthy Herlin family, attributed the result to favourable conditions in the lifts and cranes market.

However, due to a drop in orders, sales at Kone's wood division slipped to FM58.9m from FM97.5m.

The group's lifts division saw sales rise to FM1.62bn from FM1.27bn and crane sales increased to [illegible].

Sales at MacGregor-Navire, Kone's cargo access equipment division, fell slightly to FM114.4m from FM116.2m.

According to Kone, the number of new orders during the first quarter of this year rose by 7 per cent to FM2.41bn. Kone's lifts division saw orders rise by 9.7 per cent to [illegible].

CanPac abandons spin-off plan

By Robert Gibbens in Montreal

CANADIAN PACIFIC has dropped a plan to spin off Marathon Realty, its C$4bn (US$3.42bn) property subsidiary, to its common shareholders, to avoid a lengthy and costly legal battle.

The decision took the market by surprise. CP had been expected to appeal against last month's Ontario Supreme Court decision that the distribution would be unfair to CP preferred shareholders since it would have reduced the asset base underlying their dividend.

But though Marathon's nationwide property assets, including valuable undeveloped railway lands in central Toronto, will remain within CP and expressed in the market price of CP's common stock, a new distribution plan cannot be ruled out.

CP wanted to distribute Marathon stock as part of a "poison pill" to ward off any hostile takeover bids. The group's annual meeting in May approved the plan. One Marathon share would have been distributed for every four CP common shares. CP would have retained 20 per cent of Marathon.

The distribution was fought in the courts by the Fielding family, which controls 82 per cent of CP's 14m preferred shares. The court ruled that CP should change the terms, but also found that the preferred shareholders were not entitled to the distribution.

CP said appealing against the decision could have taken two years, creating serious uncertainties. Some analysts believe that the price of Marathon stock on the unlisted market since May 1 was disappointingly low at about C$7.50. All the trades will now be cancelled.

CP institutional holders expressed disappointment, since they were attracted by the potential extra value implied by holding separate CP and Marathon stocks. It said it would try to realise maximum values for Marathon, but its lawyers would not comment further. It did not rule out an alternative plan.

Mr Michael Graham, veteran CP watcher at Walwyn Midland Capital, Toronto, said CP management genuinely wanted to bring out the value of Marathon.

"They have been thwarted but they will probably try again. CP stock literally exudes hidden values and trades well below its book value of $34 a share." He and other analysts, including Mr Ross Cowan, of Levesque Beaubien Geoffrion, Toronto, suggested CP might sell Marathon stock into the *secondary markets, and with* the cash pay a special dividend to common shareholders. However, this would face complex tax considerations.

Hudson's Bay said CP's move would not affect its own plan to spin off 100 per cent of its C$2.5bn Markborough property subsidiary to shareholders.

CP's US$25m bid for D&H Railway Co, the oldest running railway in the US, has been approved by a bankruptcy court in Wilmington, Delaware. The deal gives CP 2,735 kilometres of US track serving the north-east US and directly connecting with eastern Canada.

The only hurdle left is a formal hearing before the US Interstate Commerce Commission, which will review CP's business plan for D&H. A ruling is expected within 90 days and CP has big political and business support in its favour. CP has already reached agreement with the union involved.

CP is confident that D&H can be restored to profitability and will be a companion to the Soo Line it already owns.

RBC buys trust company ahead of law change

By Bernard Simon in Toronto

ROYAL Bank of Canada, the country's biggest financial institution, has joined a recent rush for position in fiduciary services by agreeing to buy a Toronto-based trust company.

RBC said yesterday it had signed a binding purchase agreement for International Trust Co (IT) to take effect when the federal government amends the Bank Act to allow banks to gain a foothold in the trust business.

The Bank Act amendments together with other financial sector reforms have been in the air for some time, but have been delayed by disagreement over the new rules and by procedural hold-ups. RBC's move is the latest instance in the past few years where deals by financial institutions have put pressure on the authorities to speed up reform.

The purchase price for IT, presently controlled by the McConnell family of Montreal, will be determined when the deal goes through. IT manages assets of C$3bn and specialises in corporate and institutional business, including trustee and custodial services for pension funds, securities lending and pooled investment funds.

RBC said the purchase would give it "much faster access to the trust business market, when permitted, than would be possible on a *de novo* basis." It was attracted by IT's bias towards trust services, whereas most other trust companies changing hands recently tilted to consumer banking.

Other financial institutions which have bought trust companies include Sun Life Assurance, the country's biggest life office, and Manulife Financial, formerly Manufacturers Life. Canadian Imperial Bank of Commerce earlier this year concluded a similar agreement to RBC for a small, retail-oriented trust company.

Carlsberg advances 7% halfway despite sales fall

By Hilary Barnes in Copenhagen

CARLSBERG, the Danish brewery group, yesterday reported a 7 per cent increase in operating profits in the half year ended March 31, although sales, adversely affected by the appreciation of the krone, declined by 1 per cent.

Profits before extraordinary items were up to DKr492m (US$76m) from DKr460m and after extraordinary items they increased by 11 per cent to DKr569m from DKr511m. Sales were down from DKr4.71bn last year to DKr4.67bn.

Pre-tax earnings for the year are expected to be on a level with last year's DKr1.05bn, if the exchange rate situation remains unchanged, says the interim report.

Continued productivity improvements in the Copenhagen breweries, which include the Tuborg brand as well as Carlsberg, have helped lift earnings, says the report.

The improvement in the operating margin from 9.7 per cent in the first half of last year to 10.5 per cent this year continues a long-term trend: since 1984-85 sales have increased by 18 per cent but operating profits have risen by 51 per cent.

Carlsberg had no comment to make on reports that it is interested in acquiring a second Spanish brewery in addition to Union Cervecera.

The Danish group is among several international brewery groups which have been approached by an investment banker concerning a possible sale.

INTERNATIONAL CAPITAL MARKETS

UK bonds race ahead as ERM hopes lift sterling

By Deborah Hargreaves in London and Karen Zagor in New York

THE London bond market experienced a surge at the start of trading as investors regained confidence in the UK's early entry into the exchange rate mechanism of the European Monetary System.

Gilts prices were boosted by nearly two points in the morning as sterling traded much higher on the foreign exchange market. The pound saw a return to levels it had experienced under Mr Nigel Lawson, the previous UK Chancellor, who resigned in late October. The Bank of England's trade-weighted index increased from 89.5 to close at 90.3 yesterday.

By lunchtime, the gilts market had recovered its uncertainty as price movement hinged on political factors and the market lost almost half its early gains.

Investors in the UK government bond market still fear the outlook for inflation and see membership of the ERM as a way of imposing monetary discipline on the UK.

By keeping sterling firm, membership of the ERM would help the Government fight inflation without the need for another rise in base rates, they believe.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		10.000	4/93	93-00	+05/32	12.59	12.55	18.88
		10.500	6/99	92-05	+19/32	11.93	11.99	12.54
		9.000	10/08	84-00	+21/32	11.04	11.03	11.19
US TREASURY *		8.875	05/00	102-19	-01/32	8.48	8.43	8.65
		8.750	05/20	103-06	-02/32	8.42	8.42	8.59
JAPAN	No 119	4.800	6/99	87.4672	+0.314	7.07	6.93	7.03
	No 2	5.700	3/07	92.6095	+0.076	6.89	6.53	6.93
GERMANY		7.750	02/00	92.9000	-0.050	8.86	8.88	8.48
FRANCE	BTAN	9.000	02/95	95.8341	+0.036	10.13	10.07	9.86
	OAT	8.500	03/00	91.9000	+0.010	9.81	9.74	9.50
CANADA *		9.750	05/00	91.0500	-0.050	10.76	10.63	10.91
NETHERLANDS		8.000	05/00	89.7400	-	9.04	8.97	8.61
AUSTRALIA		12.000	7/99	91.9831	-0.193	13.57	13.44	13.44

London closing, *denotes New York closing session. Yields: Local market standard. Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

GOVERNMENT BONDS

■ THE GERMAN market was searching for direction yesterday as activity remained subdued and dominated by technical factors. The 10-year 8¾ per cent cash bond was fixed slightly higher at 99.84 – up from 99.38 – offering a yield of 8.82 per cent.

A modest amount of domestic retail buying has helped give a slight fillip to the cash bond market, but there is an absence of foreign participation. For this reason, the market is expected to trade in a narrow range for the next few days. Some analysts expect the market to tread water for the rest of the month in the run-up to monetary union on July 1.

■ AMSTERDAM was preparing to auction some Fl 3.5bn to Fl 4bn in Government bonds late yesterday, which the market expected to be priced at a level of 99.90-100. The issue was expected to meet steady domestic demand.

■ THE Japanese bond market traded higher on the news that the May trade surplus declined by 20 per cent on a yearly basis to $3.13bn.

The benchmark 119 bond reached a yield of 7.08 per cent, down from Monday's level of 7.14 per cent.

■ THERE was virtually no movement in yesterday US bond market, with Treasury notes and bonds essentially flat across the board.

In late trading, the Treasury's bellwether 30-year bond was off 1/32 point 103¼, yielding 8.44 per cent. Similarly, at the short end of the yield curve the two-year issue fell 1/32 point for a yield of 8.34 per cent.

Fed Funds, the rate at which banks lend to each other, changed hands at 8⅜ and there was no open market intervention by the Federal Reserve, which added liquidity to the banking system in the previous two sessions.

The lack of movement was attributed mainly to caution ahead of a deluge of economic data for May, starting with today's release of retail sales.

The debt market will focus particularly on the producer price and consumer price indices for May, which are considered key indicators of inflation. Analysts expect May's PPI, which will be released on Thursday, to increase about 0.3 per cent, after declining 0.3 per cent in April and 0.2 per cent in March.

French bank to heighten global profile

CAISSE des Depots et Consignations, the French state-owned bank, plans to step up its international profile through New York subsidiaries and a representative bureau in Tokyo, Reuter reports.

Managing director Mr Robert Lion said the Caisse's Credit Local de France local development subsidiary was already active in the US municipal bond market. He said the new units would specialise in financial market trading and portfolio management.

Although the Caisse is the most powerful player on most French financial markets, its international activities have been limited.

The Caisse has forged links with savings bank networks across Europe during the past year or so, to enable it to distribute its investment products to a wider range of clients. Credit Local has linked up with like organisations to enable it to participate in development projects outside France.

Mr Lion said the Caisse had also begun to offer advice to the former Communist countries of eastern Europe on savings transformation, housing, markets and local development.

Himalayan fund aims to raise $100m

By Deborah Hargreaves

INDOSUEZ Asia Investment Services has announced the creation of a Himalayan fund which aims to invest in India, Sri Lanka, Nepal and Bangladesh.

The fund, which plans to raise $100m, is the largest launched by the investment firm and follows three closed-end Asian country funds – the Siam, Malacca and Manila funds, which are already trading.

The Himalayan fund, which will be listed on the London Stock Exchange at the end of June, is the first international fund to pioneer investment in Sri Lanka, Nepal and Bangladesh.

Some 25 per cent of its proceeds will be invested in those three countries, with the rest going to India.

The fund is being launched at the same time as regulations are eased for foreign investment in Sri Lanka, and will be available to take advantage of investment opportunities that may open up.

The fund will be marketed to retail investors in India and overseas. It comes as foreign investors are keen to diversify into emerging markets, particularly in Asia.

Country funds enjoyed a surge of popularity last year, but their appeal has diminished during the persistent volatility that has dogged the Japanese stock market this year.

Pension funds concerned over Danish life sale

By Hilary Barnes in Copenhagen

DANISH pension funds are growing increasingly unhappy at the prospect of Statsanstalten, Denmark's leading life insurance group, falling into foreign ownership when it is privatised later this year.

The Ministry of Finance has set June 18 as the deadline for "indicative bids" for the 80 per cent of Statsanstalten which is being put up for sale. The remaining 20 per cent will be reserved for employees and policy holders. With premium income of DKr2.9bn, the company controls some 25 per cent of the Danish life insurance market.

All the main Danish insurance groups, including Hafnia and Baltica, are understood to be interested in acquiring Statsanstalten, which has assets of DKr59bn. But non-Danish interest is also thought to be substantial.

The Association of Land Surveyors pension fund has said that if it does not have confidence in the new owners it will transfer its business elsewhere. "This would apply especially if the new owner was a foreign investor," said the association's Mr Karl Aage Eskildsen.

The Copenhagen Union of Journalists' pension fund has signed a new contract with Statsanstalten that runs only to December 31. The union has made it clear that this is to give it the opportunity to move its business if it does not approve of the new owners.

The Association of Land Surveyors has also said it supports leading opposition politicians who have promised to take the Prime Minister to court, alleging that the privatisation process involves the expropriation of funds belonging to policy holders.

Alba seeks $90m increase in loan

INTERNATIONAL banks have been asked to increase the size of a commercial loan to help finance the expansion of Bahrain's aluminium smelter, AP-DJ reports.

The state-owned Aluminium Bahrain (Alba) has asked for the loan to be raised to $650m from the original $560m target after the credit received an enthusiastic response during general syndication.

Kuwait's Gulf Investment Corp (GIC), which is organising the loan documentation, said the general syndication raised about $260m from about 30 international banks, comfortably above the amount which had been targeted.

GIC, a member of the 11-bank consortium which is organising the credit, will contact the banks involved to seek approval for an increase.

Alba wants the loan to help finance its $1.4bn plan to raise output at the island's aluminium smelter to about 460,000 tonnes a year from the present 210,000 tonnes a year.

As well as the amounts raised in general syndication, GIC said that a special lead management group would contribute $180m to the credit, while the remaining $210m would be provided by the 11 arranging banks.

FT/AIBD INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 8:15 pm on June 12

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABBEY NATIONAL 8 7/8 93	150	98⅞	99⅜		9.43
ALBERTA PROVINCE 9 3/8 95	600	100⅝	101⅛	+⅛	9.14
AMERICAN GENERAL 9 3/4 95	100	97	98¼	+⅛	10.54
AUSTRALIA 11 1/4 00	100	107⅝	108⅛	-⅛	9.96
AUSTRIA 8 1/2 00	400	95¼	95½	+⅛	9.27
BANK OF TOKYO 8 3/8 96	100	95⅛	95⅝		9.49
BELGIUM 9 1/8 92	400	100⅛	100⅝		9.02
BFCE 7 3/4 97	150	92⅛	93		9.26
BNP 8 5/8 94	300	98	98⅜		9.21
BP CAPITAL 9 5/8 93	150	100½	101⅛	+⅛	9.35
CANADA 9 96	1000	100⅜	100⅝		8.92
CCCE 9 1/4 95	300	100⅛	100⅝		9.13
COUNCIL EUROPE 8 96	100	94⅛	94⅝	+⅛	9.20
DENMARK 0 98	250	48⅛	48⅝		9.39
DENMARK 8 1/4 94	150	96⅝	97⅛		9.21
ECSC 8 1/4 96	193	95⅛	95⅝	+⅛	9.21
EEC 7 1/4 93	250	95⅝	96⅛	+⅛	9.00
EIB 7 3/4 96	250	93⅛	93⅝		9.22
EIB 11 91	125	100⅝	101⅛	-⅛	9.76
ELEC DE FRANCE 9 98	200	99⅛	99⅝	+⅛	9.13
EUROFIMA 9 1/4 96	100	100⅝	101⅛	+⅛	9.05
EXPORT DEV CORP 9 1/2 98	150	101⅛	101⅝	+⅛	9.25
FINLAND 7 7/8 97	200	92⅝	93⅛		9.46
FINNISH EXPORT 9 3/8 95	200	100⅝	101⅛		9.17
FORD MOTOR CREDIT 9 1/2 93	300	100⅝	101⅛		9.20
GAZ DE FRANCE 12 1/4 93	175	103⅝	104⅛		10.75
GEN ELEC CAPITAL 9 3/8 96	300	101	101⅛		9.15
GMAC 10 92	250	100⅝	101		9.70
HALIFAX 9 1/2 93	200	100⅛	100⅝		9.40
IBM WORLD TRADE 7 5/8 93	150	95⅛	95⅝	-⅛	9.32
IND BK JAPAN FIN 7 7/8 97	200	92⅛	92⅝		9.43
INTER AMER DEV 7 5/8 96	200	92⅛	92⅝	+⅛	9.30
ITALY 8 1/2 94	1500	97⅛	97⅝	+⅛	9.12
JAPAN DEV BK 8 94	150	96⅛	96⅝		9.13
KANSAI ELEC PWR 10 96	350	102⅛	102⅝	+⅛	9.45
LTCB 8 5/8 93	150	98⅝	99⅛	+⅛	9.13
NEW ZEALAND 8 93	100	96⅛	96⅝	-⅛	9.43
NIPPON CRED BK 9 3/4 93	150	101	101⅛		9.35
NIPPON TEL & TEL 9 3/8 95	200	100⅝	101⅛		9.15
NISSAN ACCEPT CORP 9 1/4 91	150	99⅝	100⅛	-⅛	9.54
OLYMPIA & YORK 8 1/4 96	435	90	91	-⅛	10.57
ONTARIO HYDRO 11 5/8 94	200	106⅛	108	-⅛	9.40
OSTER KONTROLLBANK 8 1/8 93	200	97⅝	98⅛	+⅛	9.00
PRUDENTIAL RLTY SECS 0 99	365.216	46⅛	46⅝	+⅛	9.39
QUEBEC HYDRO 9 3/4 98	150	101⅛	101⅝	+⅛	9.51
QUEBEC PROV 9 98	200	97⅛	98	+⅛	9.45
SAINSBURY 9 1/8 96	150	98⅛	98⅝		9.49
SAS 10 99	200	101⅛	102		9.76
STATE BK STH AUST 9 1/4 93	100	99⅝	100⅛	+⅛	9.38
SUMITOMO TST 7 3/4 91	100	98	98⅜		9.26
SWEDEN 8 1/8 94	150	96⅛	97	-⅛	9.27
SWEDISH EXPORT 9 5/8 93	100	101⅛	101⅝		9.05
TOKYO METROPOLIS 8 1/4 96	200	95⅛	95⅝	+⅛	9.25
WORLD BANK 8 3/8 99	1500	96½	96⅞	+⅛	9.13
WORLD BANK 8 3/4 97	1500	98⅝	99⅛		9.17
XEROX CORPN 8 3/8 96	100	92½	94	-⅛	10.02

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ASIAN DEV BANK 8 94	200	97	97	+⅛	8.86
AUSTRIA 6 98	400	83⅛	83⅝	-⅛	9.11
CNT 6 7/8 98	200	82⅛	82⅝	-⅛	9.16
CREDIT FONCIER 6 3/4 99	500	85⅛	85½		9.24
DEUTSCHE BK FIN 5 5/8 96	750	84⅝	85	+⅛	9.01
EEC 5 3/8 93	300	91½	91⅞		9.22
EIB 6 1/8 96	300	86⅛	86⅝		9.18
EIB 6 7/8 95	300	90⅛	90⅝	+⅛	9.12
ELEC DE FRANCE 6 1/8 98	300	82⅛	82⅝		9.24
EUROFIMA 6 1/4 98	400	82⅛	82⅝		9.38
FERRO DEL STAT 5 3/8 93	500	91⅛	91⅝		9.30
IND BK JAPAN FIN 5 5/8 96	200	84⅛	84⅝		9.24
INTER AMER DEV 7 1/4 99	300	88	88⅝	-⅛	9.26
LUFTHANSA INT FIN 5 7/8 98	500	81½	81⅞	-⅛	9.29
QUEBEC HYDRO 6 3/4 99	300	84⅛	84⅝	-⅛	9.41
SWEDEN 6 1/8 98	300	83⅛	83⅝	-⅛	9.13
WORLD BANK 0 15	2000	14⅛	14⅝	+⅛	7.90
WORLD BANK 5 3/4 96	300	85⅛	85⅝	+⅛	9.15
WORLD BANK 7 1/8 95	500	92⅛	92⅝	-⅛	9.11

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ASIAN DEV BANK 6 10	100	86½	87		7.29
AUSTRIA 4 5/8 98	100	87⅛	87⅝	-⅛	6.81
COUNCIL EUROPE 4 3/4 98	250	86⅛	87⅛	+⅛	7.04
DENMARK 3 3/4 91	100	96½	97		8.82
EEC 5 1/2 00	100	88	89		7.16
EIB 5 3/4 93	100	97	97⅛	+⅛	6.76
FINLAND 5 3/8 95	150	93⅛	93⅝		6.91
JAPAN DEV BK 5 1/2 94	100	94	95	-⅛	7.42
MOUNT ISA FINANCE 5 3/4 94	100	89	90	-⅛	9.22
NEW ZEALAND 4 7/8 99	200	86	86½	+⅛	7.09
POLLY PECK INTL FIN 6 1/4 96	100	81⅛	82½	+⅛	10.66
QUEBEC HYDRO 5 08	100	80	80½		7.00
SKANDINAVISKA ENSK 6 1/2 95	100	99	99½		6.75
WORLD BANK 6 1/4 92	100	98½	99½		6.94
WORLD BANK 7 1/4 92	100	100⅛	101	+⅛	7.11

YEN STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
AUSTRIA 4 3/4 94	30000	93⅛	93⅝	+⅛	6.96
BARCLAYS O/S INV 6 96	40000	94⅛	94⅝	-⅛	7.17
CREDIT FONCIER 5 1/4 94	20000	93⅛	93⅝	-⅛	7.07
DENMARK 7 95	40000	100⅛	100⅝		6.89
EIB 4 5/8 94	40000	92⅛	92⅝		6.92
FNMA 6 7/8 92	50000	99⅛	100⅛	-⅛	7.01
GENERAL ELECTRIC 5 3/4 93	35000	96	96½		7.37
ITALY 5 3/4 92	150000	98⅛	98⅝	+⅛	6.94
NORWAY 5 1/8 95	50000	93⅛	93⅝		6.85
PHILIP MORRIS 6 1/2 91	20000	98½	99⅛		8.80
SWEDEN 5 5/8 95	20000	94½	95	+⅛	6.89
WORLD BANK 6 3/4 00	50000	99⅛	100	+⅛	6.78

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
COUNCIL EUROPE 7 94 LFr	600	92	93		9.66
KREDIETCORP 7 93 LFr	1000	93	94		9.66
WORLD BANK 8 96 LFr	1000	93	94		9.61
AMRO BANK 6 1/4 92 Fl	150	94	94½		9.41
DENMARK 8 1/2 91 Fl	100	99	99½		9.45
HEINEKEN 7 5/8 94 Fl	150	95⅛	96⅛		8.99
PHILIPS GLOEILAMPEN 5 3/4 92 Fl	150	94	94½		9.59
RABOBANK 6 1/2 92 Fl	100	93⅛	94½		9.57
WORLD BANK 6 1/4 91 Fl	100	97⅛	98		10.12
ALBERTA PROVINCE 10 92 C$	500	95⅛	95⅝		12.62
BCE INC 9 5/8 93 C$	300	93⅛	93⅝	-⅛	12.71
BK MONTREAL REALTY 10 3/4 92 C$	75	96⅛	96⅝		12.60
BRITISH COLUMBIA 12 1/4 91 C$	100	98	99	-⅛	13.69
EIB 10 1/8 98 C$	130	91	91⅛		11.95
FORD CREDIT CANADA 10 94 C$	100	92⅛	92⅝		12.45
GENERAL ELECT CAP 10 1/4 93 C$	175	94⅛	94⅝	+⅛	12.48
MONTREAL TRUSTCO 8 1/2 92 C$	100	92⅛	92⅝	-⅛	13.27
NEW BRUNSWICK 10 3/4 01 C$	150	93⅛	93⅝		11.89
ONTARIO HYDRO 10 7/8 99 C$	500	95⅛	95⅝	-⅛	11.73
ROYAL TRUSTCO 10 1/4 93 C$	100	93⅛	94⅛	-⅛	12.97
SWEDEN 9 3/4 93 C$	250	94⅛	94⅝	-⅛	12.26
TORONTO 11 99 C$	75	95⅛	95⅝		11.88
AUSTRIA 7 3/8 93 Ecu	175	93⅛	94		10.13
CNT 7 3/8 93 Ecu	250	92⅛	93	-⅛	10.37
CREDIT LYONNAIS 9 96 Ecu	125	94⅛	94⅝		10.34
DENMARK 7 5/8 96 Ecu	250	87⅛	87⅝		10.61
EEC 7 5/8 94 Ecu	200	91⅛	91⅝		10.57
EIB 10 97 Ecu	500	97⅛	98⅛	-⅛	10.43
ITALY 10 3/4 00 Ecu	1000	101⅛	101⅝		10.47
SWEDEN 7 1/2 93 Ecu	250	92⅛	92⅝		10.26
BMW FINANCE 14 1/2 92 A$	100	100⅛	101		14.10
COUNCIL EUROPE 13 93 A$	50	98⅛	99⅛		13.50
DEUTSCHE BK FIN 12 1/4 95 A$	185	93⅛	93⅝	-⅛	14.20
EKSPORTFINANS 12 3/8 95 A$	75	92⅛	92⅝	+⅛	14.63
FORD CRED AUST 13 93 A$	50	96⅛	96⅝	-⅛	14.62
HEINZ 12 3/4 91 A$	100	97⅛	98⅛	+⅛	15.34
ICI 15 1/2 92 A$	100	100⅞	101⅛	+⅛	14.94
NAT AUSTRALIA BANK 14 3/4 94 A$	150	99⅛	100⅛		14.81
NATWEST AUST BK 13 3/4 91 A$	50	98⅛	98⅝	+⅛	14.90
STATE BK NSW 14 1/4 99 A$	100	99⅛	99⅝	-⅛	14.36
BARCLAYS JERSEY 9 1/2 93 £	250	91⅛	91⅝	+⅛	13.33
EIB 10 97 £	300	87⅛	88⅛	+⅛	12.85
FORD CREDIT FUNDING 9 5/8 93 £	50	90⅛	91		13.92
INTER AMER DEV 11 3/8 95 £	75	94⅛	95⅛		12.90
ITALY 10 1/2 14 £	400	85⅛	85⅝	+⅛	12.43
LAND SECS 9 1/2 07 £	200	74⅛	74⅝	+⅛	13.41
LEEDS PERMANENT 9 1/4 93 £	50	89⅛	90⅛	+⅛	13.68
NORWAY 10 1/2 94 £	200	92⅛	93	+⅛	13.11
ROLLS-ROYCE 9 5/8 93 £	150	89⅛	90⅛	+⅛	13.96
SAINSBURY 10 7/8 93 £	100	93⅛	94⅛	+⅛	13.91
WORLD BANK 11 1/4 95 £	100	94⅛	95⅛	+⅛	12.77
BARCLAYS BK 13 1/4 92 NZ$	50	101⅛	102⅛		12.60
UNILEVER CAP CORP 14 92 NZ$	60	101½	102½	+⅛	12.76
AIDC 7 7/8 93 FFr	600	92⅛	93⅛	-⅛	10.51
DENMARK 8 1/8 91 FFr	1000	97	97⅛		10.31
EURATOM 7 5/8 96 FFr	500	84⅛	85	-⅛	10.58

FLOATING RATE NOTES	Issued	Bid	Offer	C.cpn
ABBEY NATIONAL 1/16 00 £	150	99.95	100.02	15.3125
ALBERTA PROVINCE 1/32 93	500	99.86	99.96	8.2813
ALLIANCE & LEICS 0.08 94 £	300	99.87	99.92	15.3300
BANCO DI NAPOLI INT 91	150	99.98	100.07	8.8750
BANCO ROMA 0 03 01	200	96.08	96.34	8.2800
BELGIUM 1/16 97 DM	500	100.03	100.12	8.9375
BFCE -0.02 96	350	99.86	99.96	8.4175
BNP 05	300	98.76	98.88	8.3750
BRITANNIA 1/10 96 £	150	99.89	99.94	15.3500
CITICORP 1/4 98	500	96.97	97.47	8.5625
CITIZENS FED 0.15 96	100	98.92	99.68	8.7125
COMMERZBK O/S FIN 93	200	99.60	99.70	8.3125
DENMARK -1/8 96	1000	99.08	99.18	8.1875
FERRO DEL STAT 94	200	100.28	100.38	8.4375
HALIFAX 1/10 94 £	200	100.02	100.07	15.3500
MITSUI FIN ASIA 1/8 96	100	99.92	100.02	8.5625
MORGAN (JP) 1/4 97	250	99.68	100.00	8.5625
NAT WEST FIN 3/16 05	400	97.67	97.92	8.8125
NEW ZEALAND 93	500	99.44	99.54	8.2500
NORTHEAST SAVINGS 1/10 96	150	99.05	99.72	8.5375
QUEBEC PROV 01	300	97.62	97.74	8.5000
RENFE 98	500	99.69	99.79	8.5000
SOCIETE GENERALE 96	300	99.28	99.38	8.6250
UNITED KINGDOM -1/8 96	4000	99.80	99.83	8.2500
WELLS FARGO 1/16 94	150	98.13	98.63	8.5000

CONVERTIBLE BONDS	Issued	Conv. price	Bid	Offer	Prem.
ARGYLL GROUP 4 1/2 02 £	60	2.95	100⅛	101⅛	+30.41
ASDA-MFI 4 3/4 02 £	100	1.64	103⅞	104⅛	+49.25
BURTON GROUP 4 3/4 01 £	110	3.15	107	108	
EASTMAN KODAK 6 3/8 01	300	50.67	96⅛	97	+17.01
GOODYEAR TIRE 6 7/8 03	150	80⅛	76⅝	77⅛	+79.47
GRACE (WR) 6 1/4 02	150	42⅛	85⅛	86⅛	+22.95
GRAND MET 6 1/4 02 £	100	6.98	104⅛	105⅛	+5.46
HILLSDOWN 4 1/2 02 £	150	4.16	98	99	+52.69
INTL PAPER 5 3/4 02	200	68⅛	89	89⅞	+16.12
LAND SECS 6 3/4 02 £	84	6.72	83⅛	84⅛	+11.83
METAL BOX 5 3/4 02 £	65	1.98	112⅛	114⅛	-2.52
MITSUBISHI BK 1 3/4 02	300	2727.1	87	89	-4.26
OGDEN 6 02	85	39.077	86⅛	87⅛	+27.92
PACIFIC DUNLOP 6 3/4 97	75	3.749	103⅛	104½	+1.09
SUMITOMO BANK 3 1/8 04	300	3606.9	64	65	+7.24
TEXAS INSTRUMENTS 2 3/4 02	300	82⅛	77	77⅞	+58.05
THORN EMI 5 3/4 04 £	103	7.45	106⅛	107⅛	+4.14

* No information available - previous day's price
$ Only one market maker supplied a price

STRAIGHT BONDS. The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte = Date next coupon becomes effective. Spread = Margin above six-month offered rate (three-month $above mean rate) for US dollars. C.cpn = The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Chg. day = Change on day. Cnv date = First date of conversion into shares. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

INTERNATIONAL CAPITAL MARKETS

Sallie Mae offering meets limited European demand

By Tracy Corrigan

A $600m issue of short-term floating rate notes for the Student Loan Marketing Association performed strongly in when-issued trading, which started at New York's open yesterday. However, demand for the notes, issued globally for the first time, was said to be largely US-based.

The notes, maturing in December, were priced late Monday at a margin of 30 basis points above the three-month US T-bill, but in trading yesterday the margin tightened to about 20 basis points, as a result of firm demand.

Until now, the Student Loan Marketing Association, known as Sallie Mae, has sold its notes monthly in the US market. The trend towards global issuance, started by the World Bank, reflects an effort by certain top borrowers to achieve the broadest possible distribution of their debt, and so reduce funding costs. But there appears to be continued resistance among European investors to the use of the T-bill rate as a benchmark, rather than the London interbank offered rate with which they are more familiar. Some central banks, which already buy US T-bills, were said to have bought some Sallie Mae notes.

Issues in the Italian and Spanish bond markets met firm demand, as both sectors continue to be buoyed by strong currencies and relatively high yields, dealers said.

E.I. Dupont de Nemours tapped the Eurolira market, with a L 125bn issue of 12⅛ per cent five-year bonds via lead manager Credito Italiano. The deal met steady demand from European retail investors, to close just within full fees at less 1.62 bid.

In the Spanish matador bond market, Eurofima, the European rolling stock financing agency, brought Pta10bn of 13¾ per cent five-year bonds, via Banco Espagnol de Credito.

The bonds were priced to offer a substantial yield pick-up above the International Finance Corporation's five-year issue, launched last week. The deal traded comfortably within fees of 1⅝ point.

In the nascent Portuguese bond market for international investors, the European Investment Bank is awaiting official authorisation from the Portuguese authorities to launch a Esc10bn five-year bond, via lead manager Banco Totta e Acores. The Swiss market received a further fillip yesterday, when the consumer price index for May came in lower than expected at 5.1 per cent, below expectations of 5.2 to 5.5 per cent. Three new issues all performed strongly. Skandinaviska Enskilda Banken's seven-year issue via Credit Suisse was increased by SFr50m to SFr150m. The 7⅜ per cent bonds were quoted at less 1 bid, well within fees of 2⅛ point for co-managers. A SFr200m 10-year deal for the Province of Manitoba also met firm demand to trade at less 1 bid, within fees of 2⅜ per cent. The deal was lead managed by Union Bank of Switzerland. A SFr150m deal for Johnson & Johnson, launched Monday via UBS, was quoted at less 1½ bid.

Also in the Swiss market, Meisei Industrial brought a SFr50m five-year private placement, via Handelsbank NatWest, which was placed largely in-house.

A floating-rate note issue for the Bank of Greece in the D-mark sector met rather slower demand. The DM300m issue of notes, via Dresdner Bank, was priced at a margin of 35 basis points above six-month Libor.

INTERNATIONAL BONDS

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
D-MARKS						
Bank of Greece(a)‡◆	300	35bp	100	1998	55/30bp	Dresdner Bank
LIRE						
E.I. Dupont de Nemours(b)◆	125bn	12⅛	101.60	1994	1⅝	Credito Italiano
PESETAS						
Eurofima(b)◆	10bn	13¾	100⅞	1995	1⅝	Banco Espanol de Credito
SWISS FRANCS						
Province of Manitoba(b)◆	200	7⅛	102	2000	2⅜	UBS
Skand. Enskilda Banken(b)◆	150	7⅜	101⅛	1997	2⅛	Credit Suisse
Meisei Industrial Co.(f)✶✶◆	50	7⅛	100½	1995	1⅝	Handelsbank NatWest
YEN						
Metropolitan Est.& Prop(e)‡◆	10bn	25bp	100.10	1995	20/10bp	Daiwa Europe
US DOLLARS						
Student Loan Mrk.Ass.(d)‡◆	600	30bp	100	1990	n/a	(d)
Volvo Group Finance(c)◆	118	6.90	(c)	1991	n/a	Merrill Lynch Int.

✶✶Private placement. ‡Floating rate notes. ◆Final terms. a) Coupon pays 35bp over 6-month Libor. [illegible]

Huhtamaki launches 3.5m free share issue

By Enrique Tessieri in Helsinki

HUHTAMAKI, the Finnish confectionery, packaging and pharmaceuticals group, announced yesterday it was launching 3.5m Series I free shares through Enskilda Securities and Kansallis-Osake-Pankki.

The issue is expected to generate about FM350m in capital. Enskilda Securities said the issue could be the biggest of its kind this year earmarked for foreign investors by a Finnish company.

The capital generated by the free share issue is expected to consolidate the group's equity base, as well as allow Huhtamaki to make acquisitions. The issue will also enhance the liquidity of the group's free shares.

The issue managers have the option to extend the offer by a further 500,000 free shares. The issue, which increases Huhtamaki's capital from FM409m to FM479m, will be priced on Friday. The free shares closed yesterday at FM115.

Huhtamaki, which turned in pre-tax profits of FM199m last year, is best known for its confectionery business. As the world's 13th largest sweets group it is number two in the US after Nestlé in non-chocolate confectionery.

Turnover last year totalled FM5.5bn, of which confectionery accounted for 50 per cent, foods 21 per cent, packaging 17 per cent and drugs 11 per cent. Some 68 per cent of group sales are generated outside Finland.

This week Huhtamaki announced a rise of 27 per cent to FM105m in profit before appropriations and tax for the first four months of 1990.

Bond raises Fl 3.2bn

THE 10-year Dutch state bond launched at tender last week has raised Fl 3.25bn at an official issue price of 100.00, Reuter reports.

The issue is the sixth in the Dutch state's 1990 borrowing campaign and follows a 10-year bullet (also at 9 per cent) launched in May.

NYSE seeks unified circuit breakers

By Martin Dickson in New York

UNIFORM rules should be put in place across all US equity markets to halt trading more rapidly at times of extreme price volatility, according to a report published yesterday by the New York Stock Exchange.

However, the report, which was prompted by controversy over the effects of programme trading on the equity markets, does not criticise this practice or suggest new restraints.

Programme trading involves the computer-aided rapid buying and selling of stocks and futures and options products. Critics have attacked it for creating unacceptable stock market volatility.

The NYSE panel, headed by Mr Roger Smith, chairman of General Motors, and including some of Wall Street's leading figures, recommended new mandatory "circuit breakers" which would halt equity trading in all domestic markets at times of market stress.

If the Dow Jones Industrial Average moved up or down 100 points from the previous day's close, trading would stop for one hour. A 200-point movement would mean a 90-minute halt, while 300 and 400-point movements would prompt a 120-minute stop.

The plan would unify the differing circuit-breakers put in place by various markets in the wake of the 1987 stock market crash and would speed up the trigger point at which these became operative.

For example, the New York Stock Exchange's current rules involve a one-hour break after a 250-point movement in the Dow and a two-hour break after a 400-point change.

The panel also recommended that the Securities and Exchange Commission should ease its constraints on the ability of companies to buy their own shares, which would enhance liquidity at times of market stress.

And it said the exchanges and their regulators should try to improve their ability to detect trading abuses involving the stock, futures and options markets.

Mr Smith said that after six months of inquiry, the panel had found that "the markets are essentially stable and sound, and that they are not 'tilted' against the individual investor."

One of the Panel's principal findings was that inaccurate information concerning trading practices and strategies had helped create mistrust of activities which were inevitable and desirable features of the operation of modern financial markets.

The proposals will now be studied by the ruling bodies of the New York and other exchanges to see whether a common approach can be established.

The Chicago futures markets are expected to reject the suggestion that a single federal agency oversee the setting of margin requirements – upfront payments by investors before trading – in both the equity and futures markets, and that regulatory authority over the equity and derivative markets be consolidated in one federal agency.

Chicago lines up a link with Japan

Barbara Durr on the US futures markets' latest foreign expansion

After several years of talk but no action, trading in Japanese derivatives on Chicago exchanges is drawing near. The Chicago Board Options Exchange (CBOE) expects to begin trading options on Topix, the broad-based Tokyo Stock Exchange index, later this year.

Yet, while Japanese derivative products have the allure of a step toward one world market, their success is anything but certain. A large question dogs them: are they putting the cart before the horse – a derivatives market before a cash market in the US?

CBOE is in the final stages of obtaining approval for trading Topix options. An agreement with the Tokyo Stock Exchange was signed last month and the new product listing is now to be approved by the US Securities and Exchange Commission.

CBOE chairman, Mr Alger "Duke" Chapman, expects SEC approval to be routine and, with other regulatory pieces of the process in place, trading could begin shortly. Mr Chapman said the CBOE planned to launch its options in tandem with the introduction of Topix futures at the Chicago Board of Trade (CBOT). The CBOT is set to go with Topix futures.

The introduction of Topix trading will end several years of stalling on listing Japanese products at both Chicago futures exchanges. The Chicago Mercantile Exchange (CME), for example, was cleared for trading Nikkei index futures two years ago, but had its plans interrupted by the 1987 stock market crash. Since then, according to Mr Andrew Yemma of the CME, equity trading volumes have been down and the exchange felt conditions were still not ripe.

The largest obstacle by far to trading Japanese derivatives in the US is the lack of a simultaneous liquid cash market. Without an underlying cash market during the same trading hours, some traders and futures experts are sceptical that the Japanese derivatives will be launched.

Others believe the Japanese derivatives will catch on over time, despite US institutional investors not having large portfolios of Japanese securities. CME president, Mr William Brodsky, suggests that a solution lies in having more Japanese companies traded on American equities markets. But, he said, given the resistance of Japanese companies to US regulations for accounting and disclosure, which must be complied with to obtain a listing, this may be a long way off.

Mr Brodsky wants these rules reviewed and said London's ability to trade foreign securities gave it an enviable advantage for derivatives.

William Brodsky: CME in talks with Osaka Exchange

Only a handful of Japanese securities are now listed in New York and most Japanese equities trading in the US is through American depositary receipts (ADRs). Mr Hiroaki Shiraiwa, chief of Chicago trading for Nikko Securities, suggested that, given that ADRs are the liveliest US market for Japanese securities, the best index for derivatives would be based on ADRs. Some 200 Japanese companies are traded through ADRs, which are bearer documents issued by US banks that give title to the underlying shares.

Without a resolution of the question of a cash market, the CME has concluded that the best way to include the Nikkei index contract is through Globex, the new after-hours electronic trading system due to begin this year.

Enthusiasm for Japanese derivatives runs higher at the CBOT. The concern over the absence of a cash market seems to bother this exchange less.

US government bonds are traded successfully at the CBOT at night when there is no active cash market.

But confidence in launching the Topix contract clearly has been missing. The CBOT has had it on hold since May 1988, though Michael O'Connell for the exchange confirms that the CBOT intends to launch the product this year.

The start of trading in Japanese stock futures may, however, be ill-timed for a different reason. It could heighten existing tensions between the Chicago and New York markets and draw fire in the current (and some would say parallel) war between the Commodities Futures Trading Commission and the SEC over control of stock index futures.

Despite the obstacles, the recent success of a Salomon Brothers offer of Japanese warrants has buoyed spirits at both the CBOE and CBOT.

BAA sets up paper programme in US

BAA, the British airports group, is setting up a $200m commercial paper programme in the US market. British Airports Finance will start issuing paper, guaranteed by the parent, under the programme in mid-July.

BAA currently finances its short-term sterling requirements through the sterling commercial paper market, and issuance through the US programme will depend on favourable conditions in the swap market.

Merrill Lynch has been appointed arranging dealer.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

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EQUITY GROUPS & SUB-SECTIONS — Tuesday June 12 1990

Figures in parentheses show number of stocks per section

	Index No.	Day's Change %	Other columns
1 CAPITAL GOODS (199)	903.06	+0.6	[illegible]
2 Building Materials (27)	1111.28	+0.9	[illegible]
3 Contracting, Construction (36)	1423.23	+0.2	[illegible]
4 Electricals (10)	2622.81	+0.8	[illegible]
5 Electronics (29)	1893.62	+0.3	[illegible]
6 Engineering-Aerospace (8)	495.44	+0.8	[illegible]
7 Engineering-General (43)	300.48	+0.5	[illegible]
8 Metals and Metal Forming (6)	492.56	+0.1	[illegible]
9 Motors (16)	369.24	+0.9	[illegible]
10 Other Industrial Materials (24)	1645.62	+0.5	[illegible]
21 CONSUMER GROUP (179)	1317.67	+1.1	[illegible]
22 Brewers and Distillers (21)	1618.18	+0.9	[illegible]
25 Food Manufacturing (20)	1100.88	+0.7	[illegible]
26 Food Retailing (16)	2507.76	+1.4	[illegible]
27 Health and Household (15)	2602.39	+0.4	[illegible]
29 Leisure (31)	1497.19	+1.3	[illegible]
31 Packaging & Paper (13)	600.68	+0.2	[illegible]
32 Publishing & Printing (16)	3514.50	+1.5	[illegible]
34 Stores (35)	916.56	+0.7	[illegible]
35 Textiles (12)	516.41	[illegible]	[illegible]
40 OTHER GROUPS (104)	1192.26	+0.9	[illegible]
41 Agencies (17)	1673.93	+0.5	[illegible]
42 Chemicals (23)	1311.67	+0.9	[illegible]
43 Conglomerates (14)	1700.72	+0.7	[illegible]
45 Transport (13)	2770.53	+0.8	[illegible]
47 Telephone Networks (2)	1212.13	+2.0	[illegible]
48 Miscellaneous (25)	1784.22	+0.1	[illegible]
49 INDUSTRIAL GROUP (482)	1188.27	+0.9	[illegible]
51 Oil & Gas (18)	2300.83	+1.0	[illegible]
59 500 SHARE INDEX (500)	1281.99	+0.9	[illegible]
61 FINANCIAL GROUP (107)	809.18	+0.6	[illegible]
62 Banks (9)	854.22	+0.4	[illegible]
65 Insurance (Life) (7)	1431.34	+1.1	[illegible]
66 Insurance (Composite) (6)	705.47	+0.7	[illegible]
67 Insurance (Brokers) (7)	1049.80	+0.5	[illegible]
68 Merchant Banks (7)	451.67	+0.3	[illegible]
69 Property (47)	1094.09	+0.8	[illegible]
70 Other Financial (24)	387.21	+0.9	[illegible]
71 Investment Trusts (67)	1222.27	+0.6	[illegible]
81 Overseas Traders (5)	1428.95	+0.4	[illegible]
99 ALL-SHARE INDEX (679)	1160.08	+0.9	[illegible]
FT-SE 100 SHARE INDEX◆	2370.7	+21.9	[illegible]

†Opening index 2367.3; 9 am 2378.2; 10 am 2372.2; 11 am 2374.3; Noon 2377.5; 1 pm 2375.8; 2 pm 2375.2; 3 pm 2376.3; 4 pm 2371.5; 4.10 pm 2371.3. (a) 9.04am (b) 8.30pm † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 35p.

FIXED INTEREST

PRICE INDICES	Tue Jun 12	Day's change %	Mon Jun 11	xd adj. today	xd adj. 1990 to date
British Government					
1 Up to 5 years	115.42	+0.24	115.14	–	5.61
2 5-15 years	121.43	+0.65	120.94	0.30	5.66
3 Over 15 years	123.69	+0.88	122.61	–	5.77
4 Irredeemables	141.15	+0.27	140.77	–	6.36
5 All stocks	121.39	+0.53	120.92	0.17	5.72
Index-Linked					
6 Up to 5 years	145.82	+0.12	145.65	–	1.49
7 Over 5 years	138.62	+0.42	138.25	0.20	1.72
8 All stocks	139.05	+0.39	138.69	0.19	1.70
9 Debentures & Loans	98.15	-0.06	98.21	–	5.64
10 Preference	73.84	-0.07	73.89	–	3.09

AVERAGE GROSS REDEMPTION YIELDS		Tue Jun 12	Mon Jun 11	Year ago (approx.)
British Government				
1 Low Coupons	5 years	11.19	11.22	10.05
2	15 years	10.95	11.02	9.74
3	25 years	10.88	10.95	9.57
4 Medium Coupons	5 years	12.20	12.31	11.27
5	15 years	11.37	11.49	10.26
6	25 years	11.01	11.10	9.79
7 High Coupons	5 years	12.29	12.40	11.38
8	15 years	11.61	11.73	10.46
9	25 years	11.24	11.34	9.97
10 Irredeemables		10.88	10.91	9.53
Index-Linked				
11 Inflation rate 5%	Up to 5 yrs	5.12	5.16	3.92
12 Inflation rate 5%	Over 5 yrs	4.13	4.16	3.85
13 Inflation rate 10%	Up to 5 yrs	4.12	4.16	3.21
14 Inflation rate 10%	Over 5 yrs	3.96	3.99	3.67
15 Debs & Loans	5 years	13.84	13.76	12.08
16	15 years	12.96	12.98	11.72
17	25 years	12.95	12.97	11.36
18 Preference		12.51	12.50	10.31

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	[illegible]	[illegible]	[illegible]
Corporations, Dominion and Foreign Bonds	[illegible]	[illegible]	[illegible]
Industrials	[illegible]	[illegible]	[illegible]
Financial and Properties	[illegible]	[illegible]	[illegible]
Oils	[illegible]	[illegible]	[illegible]
Plantations	[illegible]	[illegible]	[illegible]
Mines	[illegible]	[illegible]	[illegible]
Others	[illegible]	[illegible]	[illegible]
Totals	948	524	1,479

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

LONDON TRADED OPTIONS

[illegible]

TRADITIONAL OPTIONS

- First Dealings June 5
- Last Dealings June 15
- Last Declarations Sept 6
- For settlement Sept 17

For rate indications see end of London Share Service

Calls: Aviva, Blacks Leisure, Ford, Sellar Morris, Gaelic, Ketson, Ladbroke. Put & Call: Aviva, Tuskar.

Non-trading items help Hazlewood advance

By David Owen

A STRING of non-trading items helped Hazlewood Foods, the Derby-based food manufacturing group, to offset sharply increased interest costs and report a 23 per cent advance in pre-tax profits for the year to March 31.

The increase – to £57.1m on turnover of £576.7m against respective figures of £46.5m and £453.7m in 1989 – was broadly in line with City expectations. The shares, however, were hit by concern over the underlying trading performance and fell 8p to 144p.

Hazlewood also announced that it was negotiating a management buy-out for most of its confectionery and snacks division, which made an operating profit of £6.5m on turnover of £85.9m.

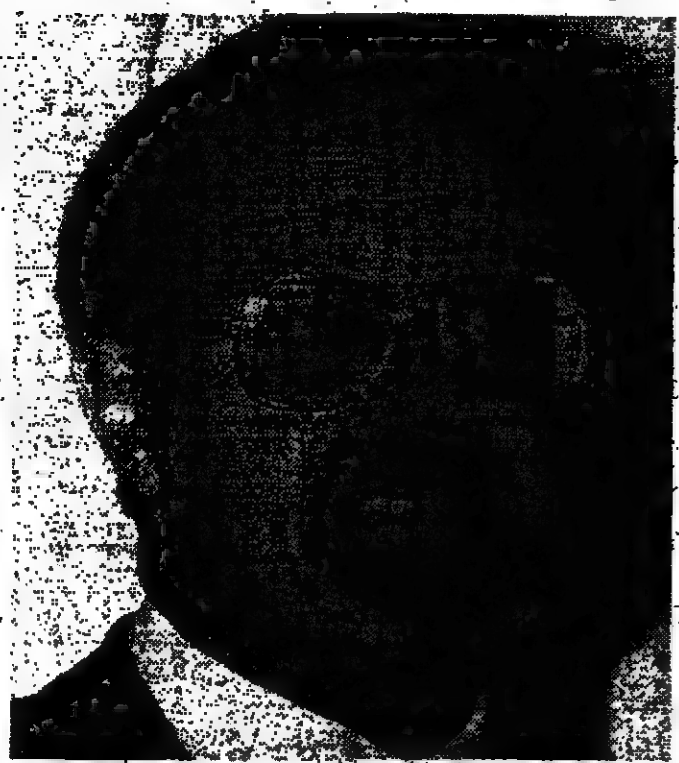
Analysts estimated that the unit is worth £50m-£70m. Though a disposal would have the side effect of reducing Hazlewood's high gearing, Mr Peter Barr, chief executive, said the principal rationale behind the move was "because we believe we would be much better off if we could clearly identify where we are going."

Net interest payable soared more than five-fold to £10.8m (£1.9m), partly due to the company's misreading of European interest rate trends.

"We were not expecting continental interest rates to increase as much as they did", said Mr Dennis Jones, corporate development director. The group's borrowings have been principally in guilders and D-Marks, in deference largely to the importance of its Dutch and German income streams.

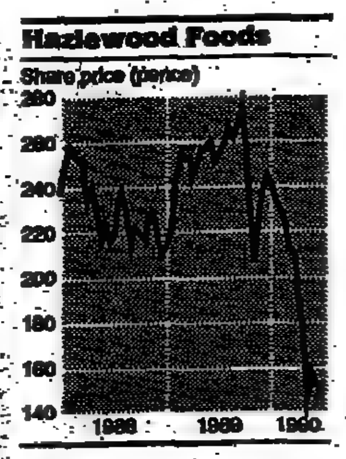
Net borrowings as at March 31 were £224m, leaving the company highly geared at 121 per cent.

Non-trading items amounted to £8.6m, against £4.4m in 1989, with the largest contribution coming from a £3.2m compensation claim against minority shareholders of a Dutch subsidiary.



Tony Andrews

Peter Barr: principal rationale behind confectionery disposal was to help the group identify more clearly where it was going



Other constituent parts were £2.4m from the profit and disposal of businesses and assets, £1.7m from a sale and leaseback and £1.3m related to the depreciation of overseas plant. "We tend to look towards non-trading items covering our interest costs", said Mr Jones.

Frozen foods was comfortably the group's largest division, generating operating profit of £29.2m on turnover of £223.6m. This was followed by groceries with a profit of £10.1m on turnover of £87.2m, confectionery and snacks, £6.5m on £85.9m, and fresh foods, £9m on £77.7m.

The company derived 41 per cent of turnover from outside the UK and the Irish Republic – up from 24 per cent in 1989. It said that it was interested in making a strategic acquisition in France but that it now had "the manufacturing base to give us very sustained growth with what we have."

Earnings per share climbed 17 per cent to 19.78p (16.84p). A final dividend of 3.2p is recommended, making a 5p (4p) total.

● COMMENT

After helping to turn Hazlewood into one of the flavours of the last decade, the City found yesterday's figures as unappetising as the smorgasbord of fish-heads, parsnips and jelly beans on the cover of last year's annual report. The greater-than-expected resort to non-trading items to pad out profits was probably mainly responsible. This was compounded by the company's high gearing level – even with interest covered 6.6 times. With most forecasts projecting flat but higher quality profits for the year ahead, the prospective multiple of 7 to 7.5 appears to carry little downside risk. Until City sentiment turns, however, the shares look like going no place fast. Prospective investors seem unlikely to miss the boat, therefore, if they opt to sit out the upcoming year of consolidation to see whether Hazlewood's European ambitions coalesce into a recognisable and effective strategy.

Unilock set to invite bids as profits advance 65% to £3.3m

By Andrew Bolger

THE BOARD of Unilock Holdings raised a few eyebrows in the City yesterday by reporting a 65 per cent increase in pre-tax profits, revealing its disgust with the stock market and inviting bids for the company.

Shares in the group, which makes and installs office partitions, yesterday opened at 62p – 1p below the level at which they were placed four years ago. The announcement rapidly pushed the price up to close at 81p, which values the company at £18.7m.

Mr Ken Roberts, chairman, said directors on behalf of shareholders were seeking bids for the company because the disappointing share price and high interest rates were major stumbling blocks to growth by acquisition.

He said: "Over the last two years the group has seen substantial growth in profits but, although profits are excellent, the shares have not been rerated to reflect the group's achievements, mainly as a result of stock market conditions."

Unilock's pre-tax profits rose to £3.3m (£2m) in the year to March 31. Turnover was 41 per cent higher at £33.8m and earnings per share increased by 70 per cent to 9.75p (5.74p). The final dividend is 2.8p to lift the total by 54 per cent to 4p (2.6p).

Mr Roberts partly blamed Unilock's depressed price on the lack of liquidity in small company shares. He said there was practically no market in the company's shares, some 40 per cent of which are owned by family trusts and directors, 50 per cent by institutions and 5 per cent by Tilbury, the construction group.

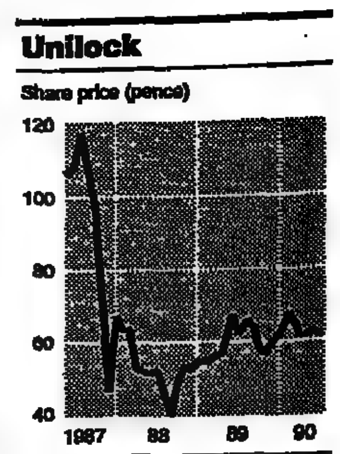
He said the company's stated strategy of expansion by acquisition had been frustrated because Unilock's low share price was likely to make any purchase, particularly of a continental company, severely dilutive of shareholders' earnings.

Last year Unilock bought complete control of a joint venture it had established in the Paris area. It is believed to have been planning another acquisition in West Germany this spring, which was vetoed by family directors who objected to the high p/e ratio of the company involved.

Mr Roberts also complained about the "costs and paraphernalia" of having a full stock market listing. He said that for all the benefits it had brought the company, Unilock would have been better staying in the over-the-counter market, from which it graduated in 1988.

The fact that Unilock was up for sales came as news to the institutional shareholders, who were not consulted in advance. A spokesman for Scottish Amicable, which holds 7 per cent, said: "We were surprised by the announcement. We would like to fix up a meeting with them."

Asked if the company had considered a management buy-out, Mr Roberts said that route had gone out of fashion, adding: "The terms for mezzanine finance are very high." The resulting gearing would make such a move unacceptable. At the year end, the company had cash balances of £2.6m.



He said the company had considered looking for an agreed buyer, but its brokers, James Capel, had advised that inviting bids was likely to maximise the price obtained and the level of interest – particularly from overseas.

Some analysts expressed scepticism about Unilock's trading outlook, but Mr Roberts insisted that current order books were at record levels and said the company was partly protected by any downturn in new commercial property by its ability to gain business from office refurbishment.

Bremner listing may be restored

By Andrew Bolger

THE STOCK EXCHANGE has offered to restore the listing of shares in Bremner, the company which owned a Glasgow department store. The shares were suspended at 70p on June 1.

The suspension came ahead of the expected convening of an extraordinary general meeting requisitioned for June 29 by a group of shareholders who are seeking the replacement of the company's board.

Bremner's principal asset is about £5.5m in cash, the proceeds of the sale of the Glasgow store. A group of shareholders accounting for more than 40 per cent of the company's equity has requisitioned the EGM to vote on replacing Mr James Rowland-Jones, chairman, and the rest of the board with four directors from the Scottish financial community.

The Exchange said yesterday that those seeking the EGM had not yet issued a circular to shareholders prior to the meeting. The future intentions of the proposed new directors had not been published.

The Exchange said that following an appeal to the Committee on Quotations it had been decided that the company's listing could be restored for the remainder of the period of notice of the EGM following publication of a circular approved by the Exchange before issue.

The committee has required the company to issue such a circular on or before June 18 and said it must include: the company's current plans and intentions for its future business activity; the company's present financial position and how it is intended to employ its liquid resources; and a statement that the Exchange has reserved the right to withdraw the company's listing following the EGM.

Mecca Leisure debt remains at high level

By David Churchill, Leisure Industries Correspondent

MECCA LEISURE, the bingo and holiday camps group facing a £537m bid from the Rank Organisation, yesterday surprised shareholders at its annual meeting with its continuing high level of debt.

The company revealed that its present indebtedness was still about £440m, only slightly lower than the £460m reached when the company announced its preliminary results at the beginning of April.

It was this news which sent Mecca's share price tumbling at that time by 30 per cent and led to a general down-rating of leisure shares.

Mr Michael Guthrie, chairman, said yesterday that the debt level had been expected and forecast. "It will come down when we move into the summer season when our businesses generate more cash," he said. He also said that moves under way to raise up to £250m by selling some assets, including hotels, restaurants and casinos, would bring gearing down.

It was also revealed that some 15 per cent of Mecca's debts was at floating rates of interest.

Mecca was slightly embarrassed at yesterday's meeting, held at its Hammersmith Palais club in west London, when it emerged that its recent appointment of three new directors had given it one more than its articles of association allowed.

The error appears to have been partly administrative and partly to do with the pending sale of its London casinos to existing management, which if it goes ahead would reduce the number of Mecca directors below the maximum 12 allowed.

Mecca is now awaiting a formal offer document from Rank which is said to be due shortly. This follows last Friday's decision by the Takeover Panel that Rank's offer for Mecca's preference shares did not regard them as equity share capital. The Panel's acceptance of Rank's interpretation of the status of the preference shares was a pre-condition of Rank's offer.

Mecca's shares closed at 88p last night, unchanged on the day.

Electron House warns of lower profits and calls for £5.1m

By Vanessa Houlder

ELECTRON HOUSE, an electronic component distributor, yesterday announced a £5.1m rights issue to reduce its borrowings and strengthen its capital base.

The rights issue, on a two-for-five basis at 70p per share, has been underwritten by UBS Phillips & Drew. Electron's share price rose from 60p to 69p.

The trading performance of its US associate, Electron House Inc, continued to be disappointing and did not justify a further injection of capital, it said. As a result, shareholders of Electron House Inc have decided to seek a merger.

The company estimated that its pre-tax profits for the year to May 30 would be at least £4m, compared with £4.82m for 1989. In the absence of unforeseen circumstances, a final dividend of 3.1p would be recommended, making a total of 5.85p (5.5p) for the year.

Its operating profits are estimated to be about £7.8m, an increase of 22 per cent, from which will be deducted £700,000 of losses from the US associate and interest of about £3.1m (£1.5m).

The proceeds of the rights issue will be used to reduce borrowings, finance the addition of new franchises and enlarge the group's interests in computer services.

Liquidation for Stock Group CI

By David Owen

DIRECTORS OF Stock Group (Channel Islands) have been instructed by its shareholders to take the necessary steps to place the business of the company into liquidation.

The move comes less than a week after its parent, Stock Group, the stockbroking arm of British & Commonwealth Holdings, was brought back from the brink of insolvency following an injection of capital.

The injection was made necessary when "a few million pounds" of Stock Group's capital was trapped by the freezing of the assets of British & Commonwealth Merchant Bank by administrators.

"Our clients' money is tied up with the merchant bank and they can't get hold of it", the Jersey-based subsidiary said yesterday. "The capital was put into the mainland companies and not the offshore companies."

Mr David Waters of Ernst & Young (Jersey) has agreed in principle to act as liquidator. Stock Group (Channel Islands), which employs about 40 people, was formerly Hoare Govett (Channel Islands).

Two directors resign from Marley

By Andrew Taylor, Construction Correspondent

TWO MAIN board directors of Marley, the building materials group, have resigned following the appointment of Mr John Castle as group managing director. Marley has recently suffered a sharp drop in profits as UK house sales have fallen.

Mr Keith Howell, finance director, and Mr Mike Moxon, managing director of Marley European businesses, will leave the company at the end of this month.

Mr George Russell remains executive chairman. Mr Castle, who joined the group in 1986, became a main board director of Marley last year responsible for the brick, concrete block and paving businesses.

Mr Colin James, a Marley director said: "In any reorganisation you will have at least one casualty. Mr Moxon having been overlooked did not feel comfortable staying with the company.

The new managing director would also take over many of the functions currently carried out by Mr Howell, including corporate planning and mergers and acquisitions policy.

"This meant taking a large slice of Mr Howell's work and clearly he did not feel comfortable about that either," said Mr James. He said the company was sorry but resigned to losing both men.

The two directors would not get compensation but would receive damages for breach of contract. The exact figures had to be worked out but no great amounts were involved.

Quarto heads for full quotation

Quarto Group, the book and magazine publisher, is moving from the USM to the main market.

The move will take place through an introduction sponsored by Panmure Gordon.

Dealings will start on June 13.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetable.

TODAY

Interims- Orsten Lodge & Knight, Grovewood Securities, London Scottish Bank, Lookers.

Finals- Anglesey Mining, Cable & Wireless, European Colour, Learmonth & Burchett, M & G Second Dual Trust, Mansfield Brewery, Regalian Properties, Salvesen (Christian), Shaw (Arthur), Waddington (John).

FUTURE DATES

Interims-
Anglo American Gold Inv ... Sep. 5
Crest Nicholson ... June 27
Murray International Tst ... June 26
Persimmon ... [illegible]
Sandvik ... Aug. 21

Finals-
Abertyle ... [illegible]
Alan ... [illegible]
Davenport Knitwear ... [illegible]
Davy Corp ... [illegible]
De Morgan ... [illegible]
Hunting Gibson ... [illegible]
JS Pathology ... [illegible]
Neotronics Technology ... [illegible]
Wood (SW) ... [illegible]

Vosper Thornycroft up to £12m and sounds optimistic note

By Vanessa Houlder

VOSPER Thornycroft Holdings, the warship builder and engineering group, yesterday announced a 16.7 per cent rise in pre-tax profits from £10.3m to £12m for the year to March 31.

The company sounded an optimistic note about its future, suggesting that Government defence cuts would affect minehunters less than larger combat ships.

"The Gulf war showed the ease with which mines can be used to disrupt defence and obstruct shipping lanes. We believe the Royal Navy will require minehunters or their derivatives to be at constant operational readiness," it said.

Events in eastern Europe would also bear less heavily on Vosper Thornycroft than other defence suppliers. "Our markets abroad are not directly influenced by the superpowers, being principally related to regional politics and the need of our customers to maintain a deterrent against potential adversaries in their territorial waters," it added.

In the shipbuilding division, work on the first five Sandown vessels for the Royal Navy and the Saudi minehunter programme was on schedule.

Prospects for its future workload are good, Vosper said. It has been invited to tender for up to seven more Sandown class minehunters for the Royal Navy and it remained hopeful that an anticipated order for three corvettes for Brunei would be secured soon.

Year-end cash balances rose by £8m to £38m. Mr Roy Withers, chairman, said acquisitions were planned to broaden the base of the company.

Earnings per share increased from 21.6p to 25.2p. A final dividend of 6.75p is proposed, making a total of 9.875p (8.5p) for the year, an increase of 16 per cent.

● COMMENT

As a small company in the defence sector, Vosper Thornycroft's shares have been doubly unfashionable of late. In the past ten months they have slithered down from a high of 270p to stand at 238p yesterday, up 7p on the day. Assuming it makes pre-tax profits of £14m, that puts the shares on a prospective p/e of 7.5. At that level, it seems that the shares have been unfairly overlooked. The company has an order book of £500m, giving it clear visibility for the next three to four years. The outlook for further orders also looks reasonably good. There is continuing demand in the Middle and Far East and minehunters seem likely to be a relatively resilient part of the UK defence budget. Vosper Thornycroft's future will also depend on the success of its acquisition plans. It hopes to lessen its dependence on shipbuilding from two thirds to a third of its business.

Roy Withers: acquisitions planned to broaden base

UK COMPANY NEWS

Clare Pearson reports on the mixed fortunes of two brewers

Marston ahead 16% to £17.35m

MARSTON, THOMPSON and Evershed, the Burton-based brewer, reported a 16 per cent rise in pre-tax profits to £17.35m in the year to end-March, achieved on turnover up from £79.54m to £92.13m.

Earnings per share rose to 13.16p (11.29p). A final dividend of 2.91p (2.42p) makes a total of 4.02p (3.36p).

The main factors behind the profits rise were a good increase in retail trading profits, a £500,000 uplift in the interest receivable figure, and increased sales of Pedigree, Marston's cask conditioned bitter.

Marston also enjoyed an extra 53rd week's trading. However, the company also moved some capital expenditure items into last year which evened out the effect of this, Mr Michael Hurdle, the chairman, said.

Beer volumes, which rose by 5 per cent, were mainly boosted by a cross-marketing agreement struck in December 1988 with Whitbread whereby the bigger brewer sells Pedigree and Marston retails Heineken and Stella Artois lagers.

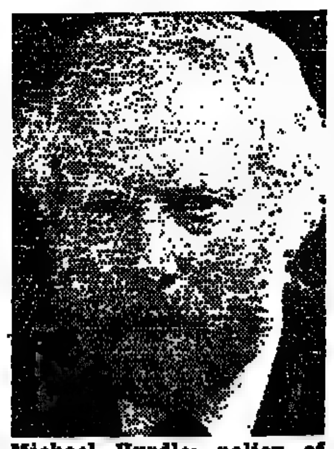
"I believe this policy of forming strategic alliances with other brewers for distribution is well founded," Mr Hurdle said.

Following the recent government order that each of the big brewers will have to allow its tenanted pubs to sell a "guest" cask-conditioned beer in addition to its own brands, Pedigree is now on a list sent to tenants nationally by Allied. Bass lists it on a regional basis.

Managed houses traded well ahead of expectations and retail trading profits for the year increased by over 50 per cent. This was achieved in spite of closing 20 houses during the March quarter for refurbishment. During the year 28 managed houses were altered, and 27 transferred from tenancy to management.

Mr Hurdle said capital expenditure totalled £20.7m during the year, up from £12.5m. Property profits provided £739,000 (£952,000). Net interest receivable stood at £1.57m (£1m).

Since the year-end, Marston has acquired 49 pubs from Ansells, the Midlands brewer.



Michael Hurdle: policy of forming alliances well founded

COMMENT

These results were well up to expectations and reinforced the view held by Marston's band of supporters that it is one of the regional brewers most likely to emerge as a winner in the new more competitive environment thrown up by recent the Monopolies and Mergers Commission enquiry. The deal with Whitbread has obviously paid off and, as tenants appear keener to buy "guest" beers wholesaled by their own big brewer, Pedigree looks particularly well-placed through its tie-ups with Allied and Bass. Marston also wins plaudits for the reorganisations it has carried out on its retail side, such as the development of its Tavern Table outlets. Next year should see pre-tax profits rise to about £19m. The shares, standing on a prospective p/e of more of 13 are quite high enough but are worth hanging on to.

CEI to sell components side to management

By David Owen

CAMBRIDGE Electronic Industries, the electronic engineer, is to sell its components subsidiaries to a group formed by their management for up to £29m.

A separate property sale and the likely divestment of CEI's 51 per cent stake in Varelco, a connector company, to its joint venture partner are expected to bring the proceeds from the group's disposal programme to £35m.

The company said in March that it had decided to divest its electronic components interests following a review. "The sale will enable CEI to focus its management and financial resources in high technology electronics", it added.

Under the terms of the principal disposal, £27.4m in cash will be payable on completion (anticipated on June 29), with a further £1.1m due on December 31 1992. Another £500,000 may be paid at a later date. The company said that was "dependent on a successful flotation or other exit on the part of the investors."

The net asset value of the businesses being sold is forecast to be £27.9m at completion. For 1989 they generated trading profits of £4m.

A conditional contract has also been signed for the sale to a US company of a New Jersey property used by one of the components businesses for its book value of £3.6m.

The sale of the Varelco interest is projected to realise "in excess of £3m." CEI said that the disposals would "virtually eliminate net debt."

Lack of steam as Devenish dips to £3.8m

JA DEVENISH, the West Country-based brewer, disappointed the stock market yesterday when it announced pre-tax profits of £3.84m, down from £5.16m, for the six months to end-March.

This was after much lower property profits of £183,000 (£2.49m). But interest charges, though down from £2.46m to £1.61m thanks to a rights issue last year, were higher than expected. Sales rose to £42.33m (£37m).

Earnings per share were down from 10.32p to 5.39p. However, the interim dividend is lifted to 1.05p (0.95p). Mr Michael Cannon, chairman, said he expected the payment for the year as a whole to reflect a continuing progressive dividend policy.

He said the policy of disposing of surplus properties was unchanged but it was difficult to predict their timing "particularly in today's market".

Reorganisations became necessary at Seligman, the Birmingham wholesaling operation, during the half-year and this business was now concentrating on developing a composite beer wholesaling business.

The company continued to expand its Steam beer brewing interests and in April introduced two lagers and bitters in canned form.

Mr Cannon said Devenish had not changed its mind about the strategy of substantially expanding the number of its pubs which he had outlined when the company reported full-year results in December.

But he did not anticipate making a further rights issue and "we do not intend to incur heavy borrowings." Gearing currently stood at about 23 per cent.

COMMENT

Devenish was a victim of unfortunate timing yesterday in announcing its results on the same day as Marston, a fellow regional brewer which was able to report a much rosier picture. But from any perspective the numbers would have looked disappointing and the shares, weak even ahead of the announcement, duly shed 12p to 169p. Long admired for the entrepreneurial drive of the management team from Inn Leisure which took over in early 1986, it appears, for the moment at least to have run out of steam. Even supposing any pubs suitable for acquisition do come its way from the major brewers, it is hard to see how it can expand itself into growth while a poor property market and high UK interest rates hamper its scope. Meanwhile, it continues to invest heavily in its Steam brewing interests, delaying the day when they will provide a positive contribution. Pre-tax profits forecasts for the full-year were yesterday cut from above £15m to about £12m for a prospective p/e of 10. The shares should be viewed with caution.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres-ponding dividend	Total for year	Total last year
[illegible]	fin	11.5	July 27	10	17.25†	15
Burndene Invs	int	3	-	2.5	-	8
Carr's Milling	int	1.75	July 10	1.75	-	7.5
Cohen (A)	fin	16.5	-	15	23.1	21
Davenport Vernon	int	1.5	July 18	-	-	3.5
Devenish (JA)	int	1.05	July 27	0.95	-	4.00
Drummond	fin	1.35	Oct 2	2.7	2.35	3.7
F&C Smaller Cos	fin	1.05	July 17	0.9	1.5	1.3
Harrison Inds	fin	5	Aug 3	4.75	7.3	6.85
Hazlewood Foods	fin	3.2	Oct 1	2.5	5†	4
Hughes (HT) §	fin	1.65	-	1.36	3	2.48
Locker (Thos)	fin	1.1	July 27	1.03	1.6	1.425
Ldn & Clyde §	int	1.6	July 24	1.7	-	6.3
Marston Thompson	fin	2.91	Aug 16	2.42	4.02	3.36
Meyer Intl	fin	12.3	-	11	16.5	15
Moorfield Ests §	int	1.2	Aug 24	1.2	-	3.75
PCT §	fin	3.6	-	3.1	5.8	5
Unilock	fin	2.6	Aug 3	1.6	4	2.6
Vosper Th'croft	fin	6.75	-	5.75	9.875	8.5
Wardell R'berts	fin	1.76◆	-	1.53	2.86	2.53

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. ◆Irish currency.

NEWS DIGEST

A Cohen falls 17% to £3.51m

ANNUAL RESULTS from A Cohen, a manufacturer of non-ferrous metal ingots and scrap reclaimer, yesterday bore out the cautious tenor of its interim statement last October.

Figures for 1989 showed a 17 per cent decline in taxable profits, from £4.25m to £3.51m. First half profits rose some 11 per cent, but directors warned then that it would be "incautious" not to be prepared for a further slowdown in economic growth.

This time around, they said the downturn in world trade in the group's market sector was "having an impact" on profitability. To be optimistic for the current year would be "misleading" they added.

Turnover improved to £104.62m (£82.01m). Earnings per 20p share dipped to 114p (139p), but the proposed final dividend is lifted to 16.5p for a total of 23.1p (21p).

Tarmac cautious on prospects for 1990

Trading in the seven weeks since the announcement of its annual results had confirmed Tarmac's caution about prospects for 1990, Sir Eric Pountain, chairman, told the annual meeting.

He added that shareholders must prepare themselves for lower profits in the construction industry. The shares closed 1p lower at 244p.

Sir Eric also pointed out that trading in the first half of 1989 had been exceptionally strong and had distorted the normal balance between the two halves. It was expected that the company would revert to its historic pattern in the present year.

Albert Martin profits warning

Mr Michael Kidd, chairman of Albert Martin (Holdings), warned yesterday's annual meeting that profits for the first six months of 1990 were likely to be lower than the previous year's £706,000.

He remained optimistic, however, that results for the full year would reflect some recovery from the 42 per cent downturn of 1989 and anticipated that the dividend for the year would be at least maintained at 1989's reduced level of 4p.

Albert Martin is a clothing manufacturer and importer and a major supplier to Marks and Spencer.

38% profit growth for Thos Locker

Thomas Locker (Holdings) finished the year ended March 31 1990 with a 20 per cent rise in turnover and 38 per cent advance in profits.

This general engineering group saw turnover reach £43.27m (£36.05m) and pre-tax profit top £3m (£2.18m).

With earnings rising to 4.6p (3.25p) the dividend is lifted to 1.6p (1.425p) through a final of 1.1p.

The group makes various types of specialised handling equipment, filtration equipment, woven wire, wire and perforated metal products.

Wardell Roberts higher at I£2.26m

Wardell Roberts, a Dublin-based processor, marketer and distributor of branded and private label food products, increased profits from I£1.63m to I£2.26m (£2.12m) pre-tax for the year to end-March.

Organic growth from existing businesses and a full year's contribution from Country Style helped turnover expand from I£28.63m to I£40.84m.

Earnings amounted to 10.4p (8p) and a final recommended dividend of 1.76p makes a 2.86p (2.53p) total. The company's shares are traded on the USM.

Moorfield Estates doubles to £0.7m

Doubled pre-tax profits of £715,000, compared with £356,000, were announced by Moorfield Estates, the USM-quoted property group, for the six months ended April 30.

In order to sustain annual profit levels directors considered it prudent to sell properties at reduced levels, and annual profits were therefore not expected to exceed the £1.91m achieved last time.

Although the commercial property market was currently very depressed the company's commercial properties were yielding good rents.

Turnover improved from £3.1m to £4.5m. The interim dividend is maintained at 1.2p payable from earnings per 10p share of 5.54p (2.77p).

PCT improves by £0.15m to top £1m

PCT Group reported 1989 pre-tax profits £154,000 ahead at £1.02m. Turnover for this USM-quoted maker and distributor of power tools and lifting gear rose from £17.15m to £18.72m.

At the interim stage profits were £128,000 higher when directors said indications for the second half were promising with strong expectations of improved business among assembly and petrochemical customers.

Earnings per share, after tax of £244,000 (£114,000) and minorities of £24,000 (£8,000), were 16.9p (16.7p). A proposed final dividend of 3.6p makes 5.8p (5p) for the year.

New London moves into black

New London, an oil and gas exploration and production company, moved into profit in the second half of the year to end-March reporting annual taxable profits of $1.09m (£639,000) against losses last time of $736,000.

Directors said the result reflected the first full year of consolidated earnings from the operating companies.

Turnover was $31.13m ($8.68m) giving operating profits of $798,000 ($1.01m losses). Net interest receivable was $289,000 ($157,000). Minorities took $876,000 ($40,000) to leave nil earnings against losses of 1 cent.

F&C Smaller net asset value rises

F&C Smaller Companies reported a net asset value of 97.5p at April 30 compared with 93.4p a year earlier.

Total revenue for the year amounted to £3.98m (£3.07m). Net revenue rose from £1.29m to £1.61m for earnings per share of 1.77p (1.42p). A recommended final dividend of 1.05p (0.9p) makes a 1.5p (1.3p) total.

Directors said the company had benefited from an internationally diversified portfolio and an active approach to currency and liability management. Its effective gearing was low and the recent debenture issue gave it "considerable firepower to take advantage of attractive opportunities" they believed would occur.

Burndene Invs tops £2m with 17% rise

Burndene Investments, the caravans, hosiery, property and finance group, turned in pre-tax profits of £2.19m for the six months to end-March.

This represented a 17 per cent advance on last year's £1.87m and came from turnover up from £17.15m to £24.4m.

The lion's share of profits came from the caravan manufacturing and park operating division, which put in £1.66m (£1.28m) followed by the hosiery side, with £304,000 (£439,000). The property arm contributed £55,000 (£119,000) and finance and administration £166,000 (£30,000).

The net interest charge rose to £301,878 (£227,698). Earnings per 5p share came out at 14.27p (11.92p), and the interim dividend is raised to 3p (2.5p).

Directors said the uncertain economic conditions made it impossible to make a forecast for the second half.

UK COMPANY NEWS

Non-domestic side behind 19% advance at BSS

By Jane Fuller

BSS GROUP, a distributor of heating, pipeline and processing equipment, increased pre-tax profits by 19 per cent in the 12 months to March 31, a year in which two acquisitions took the group into the difficult domestic heating market.

Taxable profits improved from £12.24m to £14.53m on turnover up 49 per cent to £194.22m (£130.06m). About £40m of sales came from Heatek and Labone, bought in April and September respectively.

Mr Alan Milne, finance director, said these two were lower margin businesses because of their domestic bias.

An operating profit increase of 28 per cent, to £16.16m, was eaten into by a more than quadrupled interest bill of £1.63m.

Mr Milne said the acquisitions had increased borrowings by about £10m, increased activity had added more. Gearing had risen substantially to nearly 50 per cent.

More than half of sales and a higher proportion of profit came from the original BSS UK subsidiary, which supplies industrial and commercial heating and pipeline equipment. Its margins were beginning to come under pressure, Mr Milne said, with about 45 per cent of its business related to new building.

The downturn in building affected the Manor subsidiary rather earlier, keeping its sales flat last year, although it had increased profit. It specialises in copper tubing and fittings for heating, plumbing and building.

The smaller AMS and IVCO pump and valve businesses had seen a reasonable increase in sales, but some disappointment on profit.

The group had a total of 85 outlets. Mr Milne said two more were being added and there were plans for another eight, although the programme had been slowed down.

Earnings per share increased by some 14 per cent to 47.5p (41.8p). A proposed final dividend of 11.5p makes a total of 17.25p (15p).

The share price gained 4p to close at 363p, compared with 425p for last September's 1-for-10 rights issue, of which only 14 per cent was taken up by existing shareholders.

COMMENT

Although growth on the industrial and commercial side helped the group to another decent set of results, the current year will obviously be tough. BSS knew it was breaking into domestic heating at the bottom of the cycle and now its established activities are joining the new one in the trough. It says the £15m investment in Heatek and Labone should bear real fruit next year, on the assumption that the domestic side will respond first to a lowering of interest rates. Meanwhile, the difficult conditions will test the group's ability to gain market share. With a full-year contribution to come from Labone and some growth through branch openings, pre-tax profit is expected to reach 16m, giving a prospective p/e of just over 7 – undemanding but there is little prospect of short-term improvement.

HT Hughes 30% higher but warns of effects of downturn

By Vanessa Houlder

HT HUGHES, the USM-quoted waste disposal and demolition company, increased pre-tax profits by 30 per cent from £1.83m to £2.38m in the year to February 28. Turnover increased from £17.21m to £19.42m.

Mr Bob Merrick, executive chairman, forecast a satisfactory outcome this year but warned about the effects of the downturn in building and civil engineering activity on the waste collection business. "Trading conditions at present are not particularly buoyant and no significant improvement is foreseen until the economy starts to pick up," he said.

Bob Merrick: trading not particularly buoyant

Mr Merrick said that the company was countering the downturn in work stemming from building and civil engineering – which accounts for about 35 per cent of its waste collection workload – by spreading its geographical base.

The waste management division showed a 43 per cent increase in operating profits to £2.05m. Following the sale in November of its commercial truck dealership, waste management now accounts for over 40 per cent of turnover and 74 per cent of operating profit.

The demolition and civil engineering business experienced difficult trading conditions but increased operating profits from £191,000 to £264,000.

Hughes has opened a recycling plant near Fareham, which will primarily be used to recycle materials in builders' skips. Mr Merrick said that an initial target of recycling 10 per cent of the material was feasible, although eventually a target of 60 per cent could be economic, if there was a substantial rise in land fill prices.

Mr Merrick said that Hughes was considering joining the main market, as he was concerned about the image of the USM following the abolition of the Third Market.

After an increase in the tax charge to 40.6 per cent, earnings per share fell from 6p to 5.7p. A final dividend of 1.88p is recommended, making a total of 3p, an increase of 20 per cent.

Sears pays House of Fraser £9m for Astral Sports chain

By Maggie Urry

HOUSE OF FRASER, the retailer privately owned by the Fayed family, is selling Astral Sports to Sears, the retail group in which it holds an 11 per cent stake.

Sears is paying £9m for the chain which has 73 specialist sports shops and 19 concessions within House of Fraser department stores. The concessions will continue to operate under Sears management.

Astral, which Fraser has owned since 1977, produced turnover of £21m and trading profits of £100,000 in the year to end-April.

Sears plans to merge Astral with its Olympus chain, which has 134 shops.

Sears also owns Millets Leisure and PRO Performance shoes, and said leisure was a growth market for the 1990s. Adding Astral will "strengthen our leadership in this area," said Mr Michael Pickard, Sears' chief executive.

Mr Ali Fayed, chairman of Fraser, said the sale "makes profound business sense" and that Astral would "go on to greater things under the Olympus name and the Sears umbrella."

Fraser bought its stake in Sears late in 1987, with 8 per cent coming from Bell Group at a price of about 145p. Sears shares closed yesterday at 105p, up 1p.

Harrison Industries up 43%

HARRISON Industries overcame difficult conditions, particularly those in the construction industry, to record a 43 per cent advance in pre-tax profits for the year to March 31 1990.

On turnover ahead to £44m (£41.5m) profits worked through at £2.9m, compared with £2.04m which was struck after exceptional charges of £865,000.

Mr Ken Harrison, chairman, said the second half had seen increased pressure on margins in some areas. There was still work to be done before the door division was fully restored, and although the other divisions gave grounds for confidence he took a fairly cautious view of immediate prospects.

A split of the year's operating profit showed industrial doors £883,000 (£132,000), castings, strengthened by the acquisition of Deeley's, £1.06m (£869,000), power transmission £1m (£834,000) and domestic products £341,000 (£375,000).

The industrial door division embarked on a major restructuring and the costs continued to restrict profits already affected by trading conditions. Nevertheless, the door business in France and the UK made worthwhile contributions.

Earnings were 15.5p (10.7p) and the final dividend is 5p for a 7.3p (6.85p) total.

Retailing setback hits profits at Drummond

THE CONTINUED downturn in the retail-led textile sector meant reduced profits for Drummond Group in the year ended March 31 1990, and the dividend is cut.

Turnover fell from £32.78m to £28.83m, pre-tax profits from £1.6m to £1.01m and earnings from 11.12p to 2.89p. The proposed final dividend is a lower 1.35p for a total of 2.35p (3.7p) to conserve cash resources.

Mr Stefan Simmonds, chairman, said the worsted division had a poor year, and was in the process of a re-equipping programme and management reorganisation.

The knitting and bunting operations maintained good volumes, and produced "commendable figures". The South African side had an outstanding year.

Mr Simmonds said he was confident the group's performance would improve significantly as the benefits of capital and strategic changes worked through.

In late April John Crowther (Milnsbridge) was acquired. It is the largest vertical woollen manufacturing unit in the UK, and a programme of reorganisation and market re-positioning was in hand.

A separate property division had been set up to maximise the return from the property assets – seven acres in Bradford and 22 acres in Milnsbridge.

London & Clydeside improves to £0.77m

Profits of London & Clydeside Holdings improved from £664,000 to £772,000 for the half year ended March 31. Turnover of this housebuilder and property developer declined by 8 per cent to £8.41m. An interim dividend of 1.8p (1.7p) is being paid from earnings of 5.4p.

Davenport Vernon shows marginal rise

In spite of difficult trading conditions Davenport Vernon, a multi-franchise motor group, showed a marginal increase, from £1.07m to £1.1m, in pre-tax profits for the half year ended March 31 1990.

Mr Ralph Denne, chairman, said gross profit on vehicles improved only 2 per cent. But that on after sales activities rose 28 per cent and on other operations 15 per cent.

Most companies performed well, with Vauxhall and Audi Volkswagen franchises being particularly strong. Results were affected by start-up costs of the new Jaguar and Honda premises in Milton Keynes and the new Toyota franchise.

Turnover rose to £46.78m (£42.82m). Earnings were 5.6p (7.2p) and the interim dividend is 1.5p.

Over the last nine months Highway Finance Holdings has purchased over 9 per cent of the company.

Poultry losses leave Carr's Milling lower at £0.42m

HIT BY poultry losses and difficult conditions in agricultural feed, Carr's Milling Industries saw first half pre-tax profits fall from £760,000 to £420,000.

Other factors were cyclical bread discounting and higher interest, directors said. The second half was also likely to be affected. Last year the group made £1.07m.

The profit covered the period to March 3 1990, and was generated on turnover of £48m (£46.14m).

Since then Carr's has sold its chicken processing activity to Grampian Country Food for a cash consideration and loan repayment of £1.5m. It will now concentrate on the milling, baking and agricultural businesses.

Earnings dropped to 4.3p (7.9p) but the interim dividend is held at 1.75p.

Cattle feed sales were hit by the mild winter and effects of new competition in the south of Scotland. Sales of flour and bakery products were ahead but margins were squeezed.

NEWS IN BRIEF

CET GROUP has announced that of the 19.25 new ordinary shares issued in respect of its seven-for-nine rights issue, 18.6m (96.7 per cent) have been taken up. The remainder have been placed with clients of Smith Keen Cutler at a premium of 20p to the rights issue price of 60p per share.

GARDNER (DC) has acquired Philip Thorn Associates, publisher of Banking and Financial Trading magazine, for £200,000 cash. Pre-tax profits for the year ended March 31 were £31,795.

HANSON has, through its MW Manufactories business, acquired Missouri-based Biltbest Windows from the Di Giorgio Corp for $8.6m cash. In the year to the end of December 1989 Biltbest recorded net sales of $36.6m and pre-tax operating profits of $716,000. Net asset value at the end of the period was $8.6m.

HUNTINGDON International's proposed acquisition of Southwestern Laboratories (SWL) is to go ahead following granting of the necessary approval by SWL shareholders. It is expected that the acquisition will be completed on June 18.

JARVIS has acquired as a going concern the business and certain assets of Newman Shopfitters (Cleveland) from the administrator for a total cash consideration of £1.95m. The assets being acquired comprise long leasehold factory premises, plant and equipment, stocks and work in progress and goodwill.

LEADING LEISURE: By June 8 applications under the open offer had been received from shareholders for 8,397,849 ordinary (8.9 per cent).

LEX SERVICE has sold Gilbert Rice Dereham, a main Ford dealership in Norfolk, to Dereham Garage, a newly-formed company. Total proceeds of the sale, excluding the freehold property which will be retained by Lex, will be £700,000 cash.

MONKS & CRANE: At the close of business on June 11 valid acceptances of the recommended offer by Reca for the company had been received in respect of 13,263,088 ordinary (74.03 per cent). Reca has acquired or agreed to acquire 3,051,487 ordinary (17 per cent) during the offer period on terms other than pursuant to the offer and as a result now owns or controls 91.06 per cent of the company. The offer had been declared unconditional and remains open for acceptance until further notice. Loan notice alternative has been closed in accordance with terms of the offer.

OPTIM GROUP is to acquire Midas Systems (Midas), a proprietary software systems developer specialising in the motor trade. Optim has acquired 26 per cent of the issued share capital of Midas for a consideration of £100,000 to be satisfied by the issue of 666,667 ordinary Optim shares. The remaining 74 per cent will be purchased by Optim in equal tranches over three years.

FT LAW REPORTS

Computer suppliers can claim rent

RE ATLANTIC COMPUTER SYSTEMS PLC
Chancery Division: Mr Justice Ferris: May 26 1990

THE OWNERS of equipment supplied to a company under hire purchase and leasing agreements for the purpose of its leasing business are entitled to periodical payments due to them under those agreements arising during the company's insolvency administration; but the administrators will not be required to make the payments as and when they fall due if, owing to the complexity of the administration, they need time to consider the company's position and to make calculations.

Mr Justice Ferris so held when giving judgment for Norwich Union Insurance Group, Allied Irish Banks plc and others, funders of a computer leasing scheme operated by Atlantic Computer Systems Ltd, on their application for relief in respect of Atlantic's indebtedness to them during the period of its insolvency administration.

HIS LORDSHIP said that an administration order was made in relation to Atlantic on April 18 1990.

The purpose was that referred to in section 8(3)(d) of the Insolvency Act 1986, namely, a more advantageous realisation of assets than would be effected on a winding up.

The company's business was the leasing of computers and allied equipment to "end users".

Substantial funds were required to purchase the leasing equipment. A usual method of funding was for a third party to purchase the equipment and, through the medium of the company, to make it available to the end user.

There were two main methods by which the funder made the equipment available to the company for leasing.

The first was for the funder to supply the equipment to the company under a hire purchase agreement. The agreement usually provided for the company to assign to the funder the benefit of the leases to the end users.

The second method was for the funder to lease the equipment to the company on the basis that the company would sub-lease it to an end user.

At the date of the administration order various sums were owed by the company to the funders, including Norwich Union and Allied Irish, in respect of payments under hire purchase agreements or head leases which had become due before the administration order ("pre-administration arrears"). Since the administration further sums had become due ("administration period indebtedness").

The administrators were continuing to receive rental payments under the sub-leases ("end user rentals"). They were seeking to work out proposals which would minimise the company's contingent liabilities. Pending formulation of those proposals they were not willing to pay administration period liabilities to funders.

The first question the court had to decide was whether Norwich Union and Allied Irish were entitled to receive in full the administration period indebtedness due under the hire purchase agreements or head leases.

Mr Crystal for Norwich Union and Allied Irish submitted that the funders owned the chattels which were the subject matter of the lease or agreement. Nothing in part II of the Insolvency Act permitted administrators to use chattels which belonged to funders for the purpose of producing an income for the benefit of general creditors.

He said that if the administrators were permitted to act in the way in which they proposed to act, the company's limited rights in the chattels would in effect be enlarged into ownership during the administration period.

He drew attention to a line of cases decided in relation to liquidation or other company insolvency, where it had been held that certain liabilities arising during winding up or receivership were payable in full as an expense of the winding up or receivership.

In *National Arms (1885) 28 ChD 474* Lord Justice Bowen said: "Persons having claims which have accrued due before the winding up must come in as creditors *pari passu*. But on principle there is no reason why a debt properly incurred by the liquidator after commencement of the winding up should not be paid in full."

Mr Heslop for the administrators cautioned against reliance on cases decided in relation to long-standing legislation concerning liquidations in order to interpret new statutory provisions relating to administration orders.

He submitted that the essence of the statutory scheme was to impose a moratorium until the creditors' meeting to be held under section 23, and thereafter while proposals approved by creditors were being implemented and the administration order remained in force.

Part II of the act did not extinguish entitlement of proprietary or contractual rights. It merely restricted enforcement of entitlement while the administration order remained in force.

In considering what the entitlement was, the principle of the authorities cited by Mr Crystal was applicable.

The principle was that if in a corporate insolvency the liquidator or receiver used or realised property belonging to a third party for the benefit of the corporation, the proper price for use or realisation was to be treated as an expense of the winding up or receivership and paid accordingly.

That principle was based not on any provision of the legislative regime governing winding up or receivership, but on the fact that this was an ordinary consequence of the use of property belonging to another, and that the legislation did nothing to relegate the claim for payment on the owner's part to that of unsecured creditor whose debt became due before insolvency.

It would be strange if a similar principle did not apply to administrations under part II of the 1986 act. It would require some express provision to expropriate the owners. Section 11(3) did not have an expropriating effect in the sense of taking proprietary rights or contractual rights away. It merely limited enforcement of those rights during the administration period.

Accordingly, if chattels belonging to a funder were used in the course of the company's business or were realised while an administration order was in force, the funder was entitled to receive, as an expense of the administration, the payment provided for by the hire purchase agreement or lease.

Norwich Union and Allied Irish, as owners, were entitled to receive as administration expenses payments made under the relevant lease and hire purchase agreements.

The second question was whether equipment leased to an end user was "goods in the company's possession under any hire purchase agreement" within section 11(3)(c) of the act.

The section provided that during the administration period no "steps" might be taken to enforce security over the company's property, or to repossess goods "in the company's possession under any hire purchase agreement", except with the administrator's consent or leave of the court.

The end user had physical possession on its own behalf and for its own purposes. So long as it paid the rent and complied with the terms of the sub-lease, the company could not recover possession during the lease period. It could not be said that the chattels were in the company's possession within section 11(3)(c).

The third question was whether leave ought to be granted under section 11(3)(c) to take certain "steps" contemplated by the funders to put them in a position to obtain payment of the amounts to which they were entitled, as they became due.

Allowance must be made for the fact that this was a very large and complex administration where many uncertainties remained. The administrators ought to be given an opportunity to consider the position and make appropriate calculations and other decisions in the light of what had been decided on the first question.

In those circumstances the court did not direct the administrators to make payments as they became due. They were at liberty to do that without the court's direction if they thought it appropriate.

At the present stage the court would not give leave to the funders to take any steps for which leave was required under section 11(3). It did not however, dismiss the applications for leave. It adjourned them with leave to restore.

The fourth question was whether Norwich Union was entitled under section 27 of the act to discharge of the administration order on the ground that the company's affairs were being managed in a manner unfairly prejudicial to Norwich Union. Prejudice was not established. The petition was dismissed.

For Norwich Union: Michael Crystal QC and David Mabb (Allen & Overy)

For Allied Bank: Michael Crystal QC and Richard Adkins (Wilde Sapte)

For the administrators: Philip Heslop QC and Victor Joffe (Cameron Markby Hewitt)

Rachel Davies

Barrister

TECHNOLOGY

Peter Marsh observes how Novo and Nordisk reshaped their R&D centres when they joined forces

A double dose of resources

The merger early last year between Novo and Nordisk, Denmark's two leading pharmaceuticals companies, presented research managers at the two groups with an opportunity and with a problem.

The newly formed Novo Nordisk could afford to push greater resources at the central issues in healthcare research and development.

At the time of the merger, however, there was substantial overlap between the R&D activities of the two businesses, particularly in diabetes, an area where the companies were among the world leaders. This necessitated a substantial reshaping of the combined research programme.

Last year Novo Nordisk reported sales of DKr7.3bn ($1.1bn). Of this DKr4.9bn came from pharmaceuticals. That makes the company a relative minnow in the world's $150bn-a-year drugs industry.

To make up for the company's lack of overall size it has chosen a directed strategy aimed at specific product areas in which R&D is highly important. "A company like ours can only survive if it can bring out innovative products," says Mads Ovlisen, Novo Nordisk's joint managing director, who prior to the merger was in charge of Novo.

In diabetes, Novo Nordisk is the world's second biggest supplier of insulin, an important hormone used for treating people with the disease. Eli Lilly of the US is the market leader.

Novo Nordisk has another important product area in industrial enzymes, a field in which it is the world's largest company. Enzymes, in which only Novo of the two pre-merger companies had an involvement, are proteins based on naturally occurring organic molecules. They help chemical reactions in a number of industrial areas including agriculture, waste treatment, food processing and textiles.

Enzymes add up to a $600m-a-year business in which Novo Nordisk accounts for half the total sales. Important competitors include Genencor, a joint venture between Cultor of Finland and the US's Eastman Kodak, and another partnership between the Royal Dutch/Shell oil group and Gist-Brocades, a Dutch chemicals company.

This year Novo Nordisk is spending about DKr1bn on R&D, roughly two thirds directed towards healthcare and the rest on enzymes. The two research fields are to some degree complementary. Much of modern drugs research, and ways of making new enzymes, is linked to biological studies in which new chemicals are built up by manipulating fragments of genetic material.

Before the merger, Novo employed about 1,500 in R&D and the substantially smaller Nordisk about 300. But of the 1,800 or so who work in the combined Novo Nordisk R&D divisions, roughly half do significantly different jobs compared with their pre-merger activities.

Novo Nordisk

1989 revenues	(DKr bn)
Diabetes division (mainly insulin)	3.86
Non-diabetes healthcare	1.05
Industrial enzymes	2.16
Other	0.26
Total	7.33

1989 R&D spending	(DKr m)
Diabetes	198
Industrial enzymes	277
Growth and blood products	267
Brain disorders	158
Other healthcare	89
Total	989

Many of the changes in job functions have involved building up the enzymes research. There has also been a new thrust in areas of medicines outside diabetes where prior to the merger the effort by Novo and Nordisk was relatively small. These newer areas where the company is keen to build up strength include work in brain-related disorders and also drugs aimed at conditions which cause stunted growth in children. The table gives a breakdown of spending on R&D in the different areas of the company.

Despite the swapping of functions to accent other areas outside diabetes, this illness remains a challenge for Novo Nordisk. This is in line with the big problems the disease is causing in many countries. An estimated 3 per cent of the population of many developed nations are thought to have some form of diabetes. The disease mostly manifests itself in a mild form in which people are forced to modify their diet to keep symptoms in check. In severe cases, sufferers have to take daily doses of insulin to cut down on excess sugar in their blood.

Novo Nordisk has taken a lead in developing what amounts to the "human interface" side of diabetes. This involves designing special insulin pens with which insulin-dependent diabetics inject themselves with the chemical in as non-obtrusive way as possible, so not requiring the use of messy and cumbersome syringes.

The R&D function at Novo Nordisk is presided over by Ulrik Lassen, chief scientific officer, and Bruno Hansen, vice president for corporate research. Lassen, former head of research at Novo, has overall responsibility for R&D and is assisted by Hansen, who had the top research position at Nordisk.

In some ways, says Hansen, combining the two R&D divisions led to relief for the two sets of research workers in diabetes. Being physically close to each other in laboratories in the Copenhagen area, the Novo and Nordisk workers used to discuss scientific matters.

But corporate loyalties meant they had to be guarded on commercially sensitive points. This often led to frustration. "In the old days the discussions had to stop just when they were becoming interesting," says Lassen.

The reshaping of the research programme has taken up much of the past year and emphasised several elements:

● Linking of research with commercial divisions. The 1,800 R&D workers were split into three groups: corporate research, which comprises mainly the longer-term aspects of drug studies such as theoretical work in genetic engineering; enzymes; and both diabetes and non-diabetes aspects of healthcare. Roughly 600 research people work in each of the three divisions, with those in the last two firmly linked to the marketing operations of the enzymes and pharmaceuticals parts of the company. This organisation stressed the idea of research staff working alongside managers in other units of the company rather than in isolated departments.

● No redundancies. Though some employees would be redeployed. "We had two of the world's finest insulin research teams," says Ovlisen. "We were not going to let any of them go."

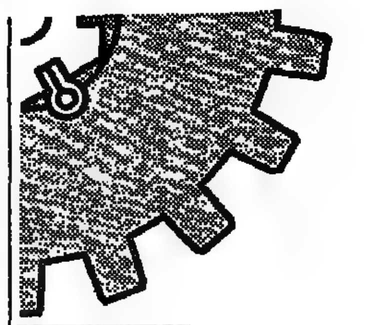
● Sorting out overlap. Some of the work in diabetes in the smaller Nordisk research team duplicated what was being done at Novo. This was attacked largely by transferring people and research workers from Nordisk's diabetes group into the new company's industrial enzymes department. Some of Nordisk's skills in biotechnology-related areas like genetic engineering were useful here.

● Redirecting research towards new goals. Novo Nordisk took the opportunity of the merger to focus some work at new areas, especially in the non-diabetes areas of pharmaceuticals in which the company perceived new market opportunities. Thus it has stepped up the numbers working on human growth hormone, a protein based on a natural chemical which can combat growth deficiencies. A number of other companies including Genentech of the US, KabiVitrum of Sweden and Ares Serono of Switzerland, already sell this chemical but Novo Nordisk reckons it may have a big part to play.

● Stopping some projects. "We had a chance to do a certain amount of weeding," says Lassen. Especially in diabetes, a number of projects both at Novo and Nordisk had dragged on without evident signs of promise and some of these were dropped. Projects pruned included theoretical studies in areas such as investigations of the cellular basis for diabetes, which looked far from product development.

Neither Lassen nor Hansen pretends the process of switching over the research effort was entirely free from problems. Nordisk had more of a small company feel and there was a fear by many of its workers that they would be swamped in the "big company" culture of the new group.

There was some uncertainty about areas of research until new responsibilities were worked out. "We had a few complaints," says Lassen. "But in general people reacted well to the changes. Now everyone knows who their new bosses are: we are in a new setting and it seems to be working."



WORTH WATCHING

by Della Bradshaw

Metal bubbles in a foam bath

METALS find numerous applications because of their toughness and durability, but a major drawback is their heavy weight.

This obstacle could be overcome with a West German technique to make a metal foam, similer to the polystyrene foam used in packaging. The metallic foam rises like bread dough when heated.

Although the concept is not new, the breakthrough made by the Fraunhofer Institute for Applied Materials Research, of Bremen, is in using powdered metal rather than molten metal as a starting point.

This means that the "leavening" agent can be very accurately applied, so allowing the makers to control the size and distribution of the bubbles. Using molten metal the gas-filled product has to be cooled quickly, making the bubble size a hit-and-miss affair.

The Fraunhofer Institute believes one of the advantages of its method is that the semi-finished material can be cut to shape and then heated. It will then expand to fill a cavity in a building or structure, for example.

Computer you cannot put down

BOOKS are now being published on discs to read at home on your own computer screen, writes Roger Wolens.

Sanyo's Data Discman screens 10 lines of text at a time with a keyboard to whisk you to any page you choose — if you are one of those people who cannot wait to see how a story ends.

The three-inch discs carry the equivalent of 300 books, making them particularly useful for encyclopaedias and reference works.

Sanyo unveils the system in Japan in the near future, followed by a worldwide launch. The system will cost £223; the 18 CD books, which will be available initially, will cost £11.50 each.

Standards make the connection

COMPANIES wanting to link their computer networks across the country — or across the continent — face the age-old computer problem: how to make systems which comply to different standards "talk" to each other.

Proteon, the Boston Massachusetts-based networking specialist, has come up with way of enabling IBM's SNA networks to communicate with Unix-based workstations, networks using Digital Equipment's VMS standard, and Lan Manager and NetWare local area networks.

The p4100+ Bridging Router, as it is called, can use optical fibre or unshielded twisted pair cabling as the backbone for the interconnection. It can transmit data at speeds up to 16m bits of information — the equivalent of 2m alphanumeric characters — every second.

Packaging that keeps its shape

TRANSPARENT PVC is an excellent packaging material for food. But take a container made of traditional PVC out of the freezer and pop it into the microwave oven and a gooey mess ensues.

Monsanto, the international chemicals company, has now developed a transparent material that, in tests, withstood temperatures of 110 deg C for 30 minutes without becoming misshapen.

Mixed with other PVC compounds, Monsanto believes that the Elix 3610 could replace aluminium tins or glass for hot-fill food processes such as putting jam in jars, as well as containers to go into the microwave.

The Elix 3610 is a terpolymer modifier, based on styrene and maleic anhydride. Monsanto says it conforms to existing EC food regulations, and works out at about half the price of polycarbonates, which can perform a similar function.

Frames put gas in the picture

TREASURED family heirlooms may prove a useful tool in determining the health hazards of the gas radon, which is often found in homes built on rock such as granite.

When trapped in buildings, the gas, caused by the decay of radium, is thought to be a significant source of ionising radiation and a cancer-causing agent.

Now researchers at Battelle's Northwest Laboratories, in Richland, Washington, believe the glass in old photo frames may give a clue to the link between radon and cancer.

The radon is measured by attaching a dosimeter — an instrument used for measuring amounts of radiation. Alpha energy emitted from the glass imprints marks on the plastic strip dosimeter, the number and depths of which can be measured to calculate the radon presence.

Photographed with the stars

HOW would you like your photo taken with Kylie Minogue? Well, an updated version of the station photo booth could enable you to do just that.

The Photostar uses sophisticated photo editing techniques so that photo subjects can choose the background against which they appear — a palm beach, say, or arm in arm with their favourite singer.

The machine, developed by Barcrest and the Technology Partnership, of Royston, takes the picture of the subject against a blue background and the image is held as a series of picture elements, or pixels, in the frame store of the computer. (The blue background is removed.)

Using a computer screen in the booth, the person can choose the desired background on to which the machine superimposes the subject's photograph. The machine prints out a 4in by 5in colour photo using a technique called thermal transfer — the same technique used by fax machines.

Contacts: Fraunhofer Institute: West Germany, 421 23880. Sanyo: Japan, 06 991 1181. Proteon: US, 508 898 2800. Monsanto: Belgium, 2 761 4111. Battelle: US, 509 375 2121. Technology Partnership: UK, 0763 262626.

UK SHARE OWNERSHIP DISCLOSURE

On Friday June 1, provisions of the Companies Act 1989 came into force requiring an investor owning 3 per cent or more of a UK public company to declare this ownership. The previous level at which disclosure had to be made was 5 per cent. The Financial Times is printing a summary of Stock Exchange announcements of disclosures of holdings of between 3 per cent and 5 per cent. Announcements in today's table include some made on Monday and those made yesterday for which space permits inclusion. Those announcements crowded out today will appear tomorrow.

KEY
The companies in which the stakes have been disclosed are shown in bold.
For each, the names of the investors are followed by the shares they hold, in thousands, and the percentage this represents of the company's total shares outstanding.

COMMODITIES AND AGRICULTURE

Moscow marketeers stampede to Chicago

Barbara Durr finds the Russians and Chinese using US produce markets as a model

REPORTS OF tentative plans for a Moscow commodities exchange this summer come as no great surprise to Chicago's two main commodity futures exchanges. Contacts between the exchanges and delegations from the Soviet Union – as well as eastern Europe and China – have been unremitting over the last year or so.

Both the Chicago Mercantile Exchange and the Chicago Board of Trade "have been besieged by delegations and requests for delegations from the Soviet Union, and to a lesser extent China," according to Mr Leo Melamed, chairman of the executive committee of the CME and one of 25 initial members of a new blue-ribbon advisory committee on the east bloc's emerging markets, sponsored by the US Securities' and Exchange Commission.

The eastern bloc has had special interest in Chicago's markets because, while making state companies private and creating a market for their shares may be a long way off, the need to establish market prices for agricultural products is immediate.

While experts say cash markets for commodities must come first, there is clearly scope to have futures follow close behind.

Mr Valentin Vologzhin, chairman of the Supreme Soviet's Committee on Economic Reform, said in a speech to the International Trade Club of Chicago last month that the legal structures and know-how for commodity futures exchanges in Moscow and Leningrad should be in place by 1993.

Karsten Mahlmann: Invited to Moscow later this year

Mr Vologzhin also took advantage of his recent trip – while Mr Mikhail Gorbachev was involved in the Washington summit – to pay his second visit this year to both Chicago futures exchanges.

The CME and CBoT are eagerly co-operating with Soviet preparations for markets. This summer, a group of six Soviet economists from the V.I. Lenin All-Union Academy of Agricultural Sciences will receive an intensive 10-day course on commodity futures from both the CME and the CBoT. Another group from the Soviet Union's USA and Canada Institute asked for a six-month visit to study the markets, starting next month. Their request will be granted, although probably for a shorter duration, CME staff members said.

The CME's annual symposium on futures, traditionally held in London in November, will be expanded this year in Paris to include a special event on emerging markets. The CME will join the Marché à Terme International de France (Matif) inviting officials from both eastern Europe and the Soviet Union to contribute presentations.

Mr Karsten Mahlmann, the CBoT chairman, is also invited to go Moscow later this year to present a proposal for an educational exchange programme to study futures markets.

While official exchange contacts have intensified, exchange member companies have also recently been hosts to almost monthly delegations from the Soviet Union and eastern Europe. Mr Melamed said members had had contact with virtually every state organisation that could eventually be converted into a private enterprise.

Refco, the world's biggest futures commission merchant, has not only hosted a delegation but has begun a joint project with a Soviet news agency co-operative to publish a weekly on US-Soviet joint ventures in English in the US.

The newspaper – *Commersant* – currently sells out of its 250,000 copies every Monday in the Soviet Union, according to Ms Peggy Yott, Refco's director of communications. She adds that without even advertising, Refco has had 100 requests for subscriptions in the three weeks since word got out about the weekly's US version.

Refco's interest in such a project stems from its view that "the east bloc is going to be the new world as far as markets are concerned," she said.

The CBoT, while co-operating with its old rival the CME on much of the east bloc activity, has developed special ties with China.

Last February, the CBoT signed a memorandum of understanding with the Research Institute of Commerce and the China National Cereals Trade Corporation of the Peking Ministry of Commerce.

Under the agreement, the CBoT is to provide training and assistance for the development of organised cash and futures markets in China. The Chinese, in turn, promised to disseminate information about the CBoT in China and have the China National Cereals Trade Corporation begin preparations for trading in agricultural futures on the CBoT. There was an earlier co-operation agreement in 1986 between the CBoT and the Chinese.

While proposals for establishing futures markets for rice, maize, soyabeans and pork are on the table, China plans to start in futures with a wheat market in Zhengzhou. To gear up for the launch, Mr Zhu Yuchen, deputy division director of the Ministry of Commerce, recently spent eight months learning all phases of futures trading at both the CME and the CBoT. He is now training other Chinese back home.

Many believe that China will be the first among the socialist (or newly ex-socialist) countries to succeed with commodities and futures markets. "The Chinese have more entrepreneurial spirit," said one exchange official. "The Russians have a long way to go."

Mr William Grossman, chief of the CBoT's Asia-Pacific office in Tokyo, said in an article in the Futures Industry Association Review magazine that futures trading in China "is not a sudden news flash: it is a long-running serial that is about to reach its climax." He believes China will be the largest growth market of the futures industry in the 1990s.

Production of gold in Brazil hit by weather

By John Barham in Sao Paulo

BAD WEATHER in the Amazon rain forest caused a 3.5 per cent fall in Brazilian gold production last year to 97 tonnes from a record 100 tonnes in 1988, Ourinvest, the Sao Paulo gold trader, said in its annual survey of the gold market in Brazil.

Brazil remains the world's fifth largest gold producer. Three-quarters of its gold is still mined by prospectors operating claims with rudimentary equipment in the Amazon. Unusually heavy rain hampered production and gold shipments. Stricter policing of gold producing sites in the territory of Yanomami Indians in the state of Roraima also contributed to the production decline.

Mr Ricardo Eichenwald, of Ourinvest, commented however that local gold supplies actually increased. He estimated that smugglers brought nine tonnes of gold into Brazil from neighbouring countries.

Brazilian gold prices remained above international levels throughout most of the year as demand rose in reaction to uncertainties caused by rising inflation and presidential elections last October.

Investors increased their holdings by 40 per cent in 1989 to a record 86 tonnes of gold, the world's third largest volume. The central bank's gold holdings also increased, rising to 128 tonnes, compared with 121 tonnes the year before.

Ourinvest's report also found that the prospectors' share of output was shrinking, while output from mechanised underground mines continued to grow. Prospectors produced 74 tonnes of gold in 1989, about 6 per cent less than in 1988, while mines increased production by 4 per cent to a record 25 tonnes.

● Official gold stocks fell by 185 tonnes in 1989, wiping out the previous year's 240-tonne increase, according to estimates by the Bank for International Settlements, Reuters reports from Basle.

A reduction in the gold reserves held by countries accounted for most of the decline with the stocks of international institutions showing only a modest fall.

Developing countries, many of which added to their reserves in the 1980s, and industrialised nations both reduced their holdings in 1989.

LME WAREHOUSE STOCKS
(As at Monday's close)
tonnes

Aluminium	−1,125	to 149,675
Copper	−4,475	to 89,675
Lead	+3,825	to 39,150
Nickel	+96	to 9,072
Zinc	−3,575	to 39,775
Tin	−60	to 11,775

IPE budgets $1m in oil futures launch

By Steven Butler

THE LONDON-based International Petroleum Exchange yesterday said it had budgeted $1m to promote the launch of its sour crude oil futures contract, scheduled to start trading on July 19. The contract will trade six months forward, with the October as the first delivery month.

Final details for the contract, which is to be based on Dubai crude, were approved by the IPE board this week.

The contract, which follows swiftly on the launch of a similar contract at the Singapore International Monetary Exchange, will make it possible for the first time to hedge a wide range of Middle Eastern crude oils on a regulated exchange.

The dual launch in Singapore and London is seen as boosting the contract's chances of success by allowing trading in two of the worlds most important time-zone bands.

Both contracts will be based on cash settlement, rather than on terms for physical delivery, and will be based on an innovative formula for determining settlement prices.

IPE's highly successful Brent futures contract is based on an index of prices drawn from published reporting services. In the case of the Dubai contracts, however, the price will be based on assessments of the price supplied by a panel of traders active in the industry.

Mr Alastair Harris, IPE director of marketing and research, said the IPE's panel would have over 20 contributors initially and possibly 30-40 eventually. The large number of sources for price information which go into the official settlement price, coming from all sectors of the industry would, he said, prevent the price from being subject to manipulation. Mr Harris nonetheless recognised that the contract would fail if panel members reported unrealistic prices.

"If they actually want a valuable hedging tool, this is the opportunity to contribute," he said.

The IPE panel price is to be averaged with a price determined by the Simex panel to produce a single settlement price applicable to both exchanges. The time on the last trading day for each contract – 12 noon on the 15th of the month preceding delivery – is also to be synchronised.

Mr Harris said he expected the contracts could be mutually offset against each other in the near future, although this would require co-ordination between clearing houses at the two exchanges.

The contract was expected to be trading 2,000-3,000 lots a day by the end of the year.

Contract units will be a 1,000 barrels, or 42,000 gallons, of Dubai oil. It will be priced in US dollars and have no limitations on daily fluctuations.

The promotion scheme will involve a three-month levy fee holiday from the start of the contract, as well as additional measures.

Mr Harris said the ruler of Dubai had given his stamp of approval to the new contract.

IPE hoped its prices would eventually become the industry standard for contract pricing. Currently, most contracts for Middle East crude are priced in relation to reported prices from services such as Platt's or Petroleum Argus.

World cocoa organisation expenses under scrutiny

THE COST of running the International Cocoa Organisation (ICCO) in 1990-91 (October-September) was examined by ICCO delegates at the executive committee meeting in London yesterday, reports Reuter.

A draft document had proposed a 12 per cent increase over the 1989-90 administrative budget to cover inflation and an imminent rent increase at the central London accommodation shared with the International Coffee Organisation.

That would imply a 17 per cent rise in members' contributions, delegates said.

No decision was taken, however, and the secretariat will present a second draft at the ICCO's full council session in September.

The lease for the organisation's office expires at the end of May 1991. It may be renewed, or the ICCO may move elsewhere in London or Europe.

Paris, Amsterdam and Brussels are possibilities, but none of these cities has yet made an offer, delegates said.

"It may be that these other countries are not so interested in pacts which are due to expire in one year (coffee) and two years (cocoa)," one delegate suggested.

In March, the current cocoa pact was extended for two years beyond its original expiry date of September 1990.

● Indonesia's cocoa exports nearly doubled to 24,000 tonnes in the first three months of this year from 14,000 tonnes in the same 1989 period, Mr Siswoputranto, executive director of the Indonesian Cocoa Association, said in Jakarta.

"I think it's going to go up further in the rest of this year along with increasing production," he added.

The association expects that a longer dry season will bring output down to 110,000 tonnes this year from the previous estimate of 120,000 but still up from 1989's 90,000 tonnes.

Mr Siswoputranto said the recent rebound in cocoa prices had encouraged growers to be more serious in improving quality.

"They are likely to concentrate on quality improvement instead of land expansion," he said. "Otherwise they cannot get a good price on the world market."

Indonesian cocoa exports were 82,000 tonnes last year, up from 70,000 in 1988.

Guyana warns Europe of sugar quota shortfall

GUYANA HAS declared a shortfall of 13,000 tonnes on its European Community sugar quota for delivery in the year ending June 30, writes Canute James in Kingston, Jamaica.

The state-owned Guyana Sugar Corporation said it will not ask the EC for an extension of time to ship the shortfall on its 167,000-tonne quota.

It is the second consecutive year that Guyana has declared a shortfall on its EC quota, having missed the target last year by 35,000 tonnes.

Guyana will plead *force majeure* in the hope that it will not lose a part of its EC quota. Arguing the case for *force majeure* last year, Guyana said sugar harvests had been affected by strikes of the industry's 20,000 workers and by unseasonal rain.

Guyana's sugar output has fallen steadily from just over 300,000 tonnes in 1981 to 164,000 tonnes last year. Despite the recent poor harvests the industry has met its 15,000-tonne quota to the US.

● Indonesia has increased the prices paid to sugar producers by 8 per cent to 16 per cent in an effort to boost production and reduce its dependence on imports.

Molybdenum output hit

MOLYBDENUM OXIDE output at Chile Copper Corporation (Codelco) will drop to 28.2m lb this year because of production problems, according to a company sales manager, reports Reuters from Santiago. That would be 27 per cent below the output originally forecast of 38.8m lb.

"We will fulfil our contracts, but we will be out of the spot market this year," he said.

Codelco is the world's second largest producer of this metal, produced as a by-product of the copper mining industry.

Traders said the Chilean shortfall would fuel a recovery in molybdenum oxide prices prompted by Soviet demand.

A surplus of molybdenum is still likely on the world market this year. According to Codelco estimates, world production will be about 208m lb and consumption 195.5m lb.

Codelco's shortfall results from the production loss caused by a fire at the concentration plant at Chuquicamata, which accounts for most of Chile's molybdenum output.

MINOR METALS PRICES

Prices from Metal Bulletin (last week's in brackets).

ANTIMONY: European free market 99.6 per cent, $ per tonne, in warehouse, 1,650-1,700 (1,670-1,720).

BISMUTH: European free market, min. 99.99 per cent, $ per lb, tonne lots in warehouse, 2.80-3.30 (2.90-3.40).

CADMIUM: European free market, min. 99.5 per cent, $ per lb, in warehouse, 3.10-3.40 (3.20-3.60).

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse, 7.90-8.30 (7.95-8.35).

MERCURY: European free market, min. 99.99 per cent, $ per 76 lb flask, in warehouse, 215-225 (same).

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 2.90-2.95 (2.85-2.90).

SELENIUM: European free market, min 99.5 per cent, $ per lb, in warehouse, 5.30-5.80 (same).

TUNGSTEN ORE: European free market, standard min. 65 per cent, $ per tonne unit (10 kg) WO_3, cif, 40-57 (40-60).

VANADIUM: European free market, min. 98 per cent, $ a lb V_2O_5, cif, 2.90-3.30 (3.00-3.25).

URANIUM: Nuexco exchange value, $ per lb, U_3O_8, 8.65 (same).

China's non-ferrous metal output up 10.1% this year

CHINA'S OUTPUT of 10 non-ferrous metals totalled more than 900,000 tonnes during the first five months of this year, up 10.1 per cent from the same period last year, the China National Nonferrous Metals Industry Corporation said, reports Reuter from Peking.

Corporation officials, quoted by the China Daily newspaper, said the 10 metals were copper, aluminium, lead, zinc, nickel, tin, antimony, mercury, magnesium and titanium.

A sluggish market, however, has meant stockpiling for the first time, officials said. The rate of output growth has slowed from a 10.8 per cent increase posted in the first quarter of 1990.

However, the figure accounts for 43 per cent of the 2.1m-tonne government target for this year. The corporation plans to produce 2.25m tonnes of various non-ferrous metals this year.

It forecast that in 1994, non-ferrous output would be 3m tonnes, the China Daily said.

The newspaper gave a breakdown of some of the metals. Copper output hit 230,000 tonnes in the first five months of 1990, up 9.5 per cent over the same 1989 period. Aluminium production jumped 13.7 per cent to 330,000 tonnes. Yet output of lead declined 2 per cent because two large lead producers overhauled their equipment, the newspaper said.

Corporation officials said increased supplies of electricity and raw materials were responsible for the jump in production. They warned, however, that rising production costs and a sluggish market for their products were continuing to cause difficulties.

WORLD COMMODITIES PRICES

MARKET REPORT

THE GOLD price regained a little more of last week's lost ground yesterday but the mood remained decidedly sombre as traders looked over their shoulders for a fresh bout of selling to push the market below the recent four-year low. Three times the price rallied towards $357 a troy ounce, but on each occasion it was beaten back as option-related selling developed. At the close it was $356 an ounce, up $1 on the day. In contrast there seems to be no holding rhodium, one of the platinum group metals, which recently has been hitting record highs with monotonous regularity. A temporary refining problem in South Africa set the market rising late last year and in the face of heavy Japanese and European buying yesterday traders were quoting $3,000 to $3,100 a troy ounce, compared with $1,800 to $1,900 an ounce seven months ago. At the London Metal Exchange copper prices were boosted early on after the announcement of a sharp fall in exchange warehouse stocks. But the bearish mood was quickly reasserted and the cash price ended £18 down on the day at £1,509 a tonne. Traders blamed the fall on profit-taking and "stale bull liquidation."

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$13.40-3.62q	+0.21
Brent Blend	$15.80-5.85q	+0.30
W.T.I. (1 pm est)	$17.21-7.24q	+.515
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$216-218	+2
Gas Oil	$142-143	+2
Heavy Fuel Oil	$52-55	+1.5
Naphtha	$145-147	+3
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$356	+1
Silver (per troy oz)♣	505c	+4
Platinum (per troy oz)	$485.65	+1.80
Palladium (per troy oz)	$117.40	-0.05
Aluminium (free market)	$1575	+10
Copper (US Producer)	118¾c	+1¼
Lead (US Producer)	45c	
Nickel (free market)	885c	+10
Tin (Kuala Lumpur market)	16.54r	-0.10
Tin (New York)	290c	
Zinc (US Prime Western)	67½c	
Cattle (live weight)†	107.31p	-0.46*
Sheep (dead weight)†	166.35p	-3.55*
Pigs (live weight)†	104.29p	-2.03*
London daily sugar (raw)	$333.0v	+5.3
London daily sugar (white)	$423.0v	+3.0
Tate and Lyle export price	£309.5	+2.5
Barley (English feed)	£120.5u	+0.5
Maize (US No. 3 yellow)	£144.5	
Wheat (US Dark Northern)	£124.5	
Rubber (Jul)♥	54.75p	-0.50
Rubber (Aug)♥	55.25p	-0.50
Rubber (KL RSS No 1 Jun)	229.0m	-1.0
Coconut oil (Philippines)§	$335v	
Palm Oil (Malaysian)§	$270q	-5
Copra (Philippines)§	$210	+15
Soyabeans (US)	£161	
Cotton "A" index	80.40c	-0.30
Woolops (64s Super)	435p	-3

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-Jul. t-May/Jul. u-Oct/Dec v-Jun/Jul. w-Jun z-Jul/Aug y-Sep. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low	
Aug	291.00	304.00	307.00	290.20
Oct	288.20	297.60	301.00	285.40
Dec	291.00	295.00	300.00	294.00
Mar	273.00	283.20	286.00	272.00
May	272.60	283.20	284.40	275.00
Aug	272.00	285.00	282.00	277.00
Oct	272.00	276.00	279.00	
White	**Close**	**Previous**	**High/Low**	
Aug	405.0	412.0	415.0	403.5
Oct	368.0	377.0	381.0	368.5
Dec	358.0	367.0	371.5	361.5
Mar	355.0	362.4	367.5	353.0
May	354.0	361.0	363.5	353.0
Aug	352.0	360.0	366.0	351.5
Oct	341.0	346.0	354.5	350.0

Turnover: Raw 4544 (3761) lots of 50 tonnes. White 2893 (1118). Paris- White (FFr per tonne): Aug 2065, Oct 2185, Dec 2065, Mar 2065, May 2060

CRUDE OIL – IPE $/barrel

	Close	Previous	High/Low	
Jul	15.98	15.55	15.99	15.62
Aug	16.50	16.00	16.51	16.10
Sep	16.90	16.40	16.90	16.60
Oct	17.10	16.78	17.13	16.84
Nov	17.15		17.19	17.15
Dec	17.30			
IPE Index	15.57	15.50		

Turnover: 12657 (9458)

GAS OIL – IPE $/tonne

	Close	Previous	High/Low	
Jul	143.50	139.50	143.50	139.75
Aug	144.50	141.75	144.75	142.00
Sep	147.00	144.50	147.00	144.50
Oct	150.00	148.00	150.00	147.75
Nov	153.50	150.00	153.50	150.00
Dec	155.50	152.00	155.00	152.50
Jan	154.25	152.75	154.25	153.00
Mar	149.00	149.50	149.00	148.00

Turnover 4867 (5334) lots of 100 tonnes

COCOA – London FOX £/tonne

	Close	Previous	High/Low	
Jul	788	780	795	783
Sep	808	799	822	795
Dec	830	821	845	830
Mar	848	840	862	841
May	866	859	880	860
Jul	886	881	900	885
Sep	905		915	900

Turnover: 9555 (11308) lots of 10 tonnes. ICCO indicator prices (SDRs per tonne). Daily price for Jun 11 884.27 (895.80) 10 day average for Jun 12 1091.31 (1085.51)

COFFEE – London FOX £/tonne

	Close	Previous	High/Low	
Jul	598	594	619	590
Sep	614	640	627	606
Nov	631	640	[illegible]	[illegible]
Jan	644	670	[illegible]	[illegible]
Mar	657	691	[illegible]	[illegible]
May	680	700	[illegible]	[illegible]
Jul	682	720	708	687

Turnover: 6926 (2944) lots of 5 tonnes. ICO indicator prices (US cents per pound) for June 11: Comp. daily 71.80 (72.17). 15 day average 73.48 (73.81)

POTATOES – BFE £/tonne

	Close	Previous	High/Low	
Nov	108.5	102.4	108.0	101.0
Apr	150.0	145.0	153.2	145.0
May	163.5	151.0	165.0	160.0

Turnover 390 (366) lots of 40 tonnes.

SOYABEAN MEAL – BFE £/tonne

	Close	Previous	High/Low
Aug	118.80	115.00	118.80
Oct	118.00	117.00	118.00

Turnover 30 (61) lots of 20 tonnes.

FREIGHT FUTURES – BFE $10/index point

	Close	Previous	High/Low	
Jul	1163	1178	1195	1175
Aug	1072	1080	1076	1076
Oct	1170	1180	1170	1180
Jan	1176	1184	1170	1160
Apr	1175	1180	1185	1174
Jul	1165	1168	1165	1160
BFI	1254	1264		

Turnover 114 (277)

GRAINS – BFE £/tonne

Wheat	Close	Previous	High/Low	
Jun	119.00	118.50	119.00	118.50
Sep	113.40	113.80	113.70	113.40
Nov	117.85	117.70	117.70	117.45
Jan	121.10		121.10	
May	127.40	127.50	127.35	
Barley	**Close**	**Previous**	**High/Low**	
Sep	111.85	111.75	111.75	
Nov	116.60	116.25	116.50	
May	123.70	123.80	123.60	

Turnover: Wheat 157 (44), Barley 16 (19). Turnover lots of 100 tonnes.

PIGS – BFE (Cash Settlement) p/kg

	Close	Previous	High/Low	
Jun	137.0	136.5	137.0	136.5

Turnover 20 (54) lots of 3,250 kg

JUTE

June/July c and f Dundee BTC $550, BWC $580, BTD $525, BWD $540; c and f Antwerp BTC $535, BWC $535, BTD $505, BWD $500.

COTTON

Liverpool- Spot and shipment sales for the week ended June 8 amounted to 378 tonnes against 180 tonnes in the previous week. Trading was of fairly high quantity with various countries involved in sales including Israel, West Africa and Mexico.

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover lots
Cash	1572-4	1584-5		1572-4		
3 months	1589-90	1601-2	1595/1585	1589-9	1594-5	46,144 lots
Copper, Grade A (£ per tonne)						Total daily turnover lots
Cash	1508-10	1526-8	1540	1540-2		
3 months	1462-5	1482-3	1485/1465	1467-8	1469-70	80,672 lots
Lead (£ per tonne)						Total daily turnover lots
Cash	484-5	485-6		485-6		
3 months	489-90	489-9	490/485	486.5-6	490-1	10,080 lots
Nickel ($ per tonne)						Total daily turnover lots
Cash	8400-50	8160-80		8225-50		
3 months	8350-75	8160-200	8350/8180	8225-50	8275-80	5,621 lots
Tin ($ per tonne)						Total daily turnover lots
Cash	6180-5	6100-200	6200/6140	6140-5		
3 months	6215-20	6320-30	6240/6200	6190-200	6215-20	5,169 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover lots
Cash	1685-700	1682-5	1685/1687	1667-8		
3 months	1642-5	1637-8	1645/1630	1641-2	1642-5	19,177 lots

LME Closing £/$ rate: SPOT: 1.7025 3 months: 1.6781 6 months: 1.6608 9 months: 1.6391

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	355¾-356¼	209-209½
Opening	355¼-355¾	209-209½
Morning fix	356.00	209.229
Afternoon fix	355.75	208.773
Day's high	356¾-357¼	
Day's low	355¼-355¾	
Coins	**$ price**	**£ equivalent**
Mapleleaf	363-366	213-216
Britannia	363-366	213-216
US Eagle	363-366	213-216
Angel	363-366	213-216
Krugerrand	356-359	209½-210½
New Sov.	84-86	49½-51
Old Sov.	84-86	49½-51
Noble Plat	482.60-500.80	280.20-295.75
Silver fix	**p/fine oz**	**US cts equiv**
Spot	294.55	501.00
3 months	305.40	511.45
6 months	316.15	521.75
12 months	337.60	544.20

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Jul	Sep	Jul	Sep
[illegible]	69	75	1	11
[illegible]	38	42	13	29
[illegible]	4	23	62	68
Copper (Grade A)	**Calls**		**Puts**	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Cocoa				
750	87	77	2	21
800	48	45	4	42
850	14	28	[illegible]	[illegible]
Brent Crude	**Aug**	**Sep**	**Aug**	**Sep**
1500	72		42	38
1600	50	66		68
1700	29			

INDICES

REUTERS (Base: September 18 1931 = 100)

Jun 12	Jun 11	mnth ago	yr ago
1871.2	1867.1	1908.5	2023.6

DOW JONES (Base: Dec. 31 1974 = 100)

	Jun 11	Jun 8	mnth ago	yr ago
Spot	131.85	131.28	135.42	131.60
Futures	132.70	132.55	129.51	130.77

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Jun	355.7	355.4	357.2	355.0
Jul	356.3	355.9	0	0
Aug	358.0	[illegible]	359.6	358.6
Oct	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Feb	[illegible]	[illegible]	[illegible]	[illegible]
Apr	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]	[illegible]

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Jul	484.4	485.2	492.0	488.4
Oct	490.5	491.2	497.0	494.0
Jan	495.4	496.5	501.0	499.5
Apr	500.4	501.5	507.0	504.0
Jul	509.7	506.6	513.0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Jun	501.5	501.2	0	0
Jul	503.2	503.5	508.0	503.0
Aug	506.9	507.5	0	0
Sep	512.3	511.7	516.5	511.3
Dec	523.7	523.1	528.0	522.5
Jan	[illegible]	[illegible]	0	0
Mar	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]
Sep	558.2	557.4	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jun	112.80	111.00	113.00	111.75
Jul	110.60	109.85	111.15	108.20
Aug	109.60	108.45	109.60	108.50
Sep	107.90	106.85	108.00	106.60
Oct	107.30	105.50	0	0
Nov	105.80	104.40	105.70	105.70
Dec	104.30	103.30	104.30	103.60
Jan	103.20	102.20	0	0
Feb	[illegible]	[illegible]	0	0
Mar	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel

	Close	Previous	High/Low	
Jul	17.50	16.92	17.55	17.02
Aug	18.05	17.43	18.10	17.62
Sep	18.40	17.86	18.47	18.04
Oct	18.77	18.20	18.85	18.45
Nov	19.06	18.49	19.05	18.70
Dec	19.21	18.67	19.30	18.90
Jan	19.30	18.82	[illegible]	19.20
Feb	19.36	18.92	[illegible]	[illegible]
Mar	19.38	18.96	19.40	19.40

HEATING OIL 42,000 US galls, cents/US galls

	Close	Previous	High/Low	
Jul	[illegible]	4672	4845	4706
Aug	4880	4729	4895	4760
Sep	[illegible]	4900	5050	4930
Oct	5180	5040	5180	5075
Nov	[illegible]	5165	5330	[illegible]
Dec	[illegible]	5300	[illegible]	[illegible]
Jan	5520	5375	5525	5400
Feb	[illegible]	[illegible]	[illegible]	[illegible]
Mar	5270	5165	5290	5225
Apr	5150	5040	5125	[illegible]

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Jul	1218	1181	1225	1205
Sep	1251	1211	1257	1237
Dec	1285	1244	1283	1265
Mar	1301	1258	1305	1285
May	1319	1274	1320	1310
Jul	1335	1290	1332	[illegible]
Sep	1351	[illegible]	[illegible]	1352

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Jul	92.10	92.05	92.50	91.30
Sep	94.20	94.15	94.20	93.40
Dec	97.00	97.05	97.25	96.40
Mar	99.60	99.65	99.75	99.00
May	101.60	100.65	101.00	100.25
Jul	103.30	102.00	0	0
Sep	105.00	103.50	105.25	105.25

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jul	12.93	13.51	13.85	12.91
Oct	12.77	13.29	13.47	12.73
Jan	12.27	12.70	12.83	[illegible]
Mar	12.30	12.82	12.77	12.26
May	12.30	12.58	12.65	[illegible]
Jul	12.22	12.40	12.45	12.30

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Jul	80.62	78.54	81.44	78.37
Oct	75.89	75.09	75.95	74.96
Dec	72.75	72.07	72.80	[illegible]
Mar	73.16	72.45	73.20	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	72.32	73.00	73.00
Oct	69.15	68.60	0	0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jul	191.50	192.20	192.90	191.00
Sep	188.65	188.15	189.40	[illegible]
Nov	182.65	182.25	[illegible]	181.10
Jan	179.60	178.95	180.50	[illegible]
Mar	179.60	178.75	180.20	[illegible]
May	179.60	179.00	0	0
Jul	179.90	179.00	0	180.00

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Jul	607/4	608/2	610/4	604/0
Aug	613/2	614/2	618/4	610/2
Sep	616/6	617/0	620/0	614/0
Nov	624/4	625/0	628/0	622/0
Jan	635/4	636/0	637/4	633/0
Mar	645/4	645/4	648/4	644/0
May	656/2	655/4	656/4	652/4

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Jul	24.74	24.82	24.95	24.65
Aug	24.62	24.78	24.79	24.42
Sep	24.40	24.56	24.57	24.25
Oct	[illegible]	[illegible]	[illegible]	24.00
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Jan	23.61	23.74	23.74	23.50
Mar	23.35	23.58	23.60	23.35
May	23.15	23.30	23.30	23.15
Jul	23.05	23.05	[illegible]	23.00

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Jul	176.3	174.4	176.3	174.4
Aug	177.0	176.3	178.0	176.4
Sep	178.6	176.3	178.0	[illegible]
Oct	180.1	176.7	[illegible]	[illegible]
Dec	184.0	183.7	185.4	183.6
Jan	184.9	184.0	186.0	[illegible]
Mar	[illegible]	187.2	188.5	[illegible]
May	188.9	[illegible]	188.5	[illegible]

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Jul	292/2	289/6	292/6	289/6
Sep	289/4	286/6	290/0	287/0
Dec	285/0	283/2	[illegible]	[illegible]
Mar	291/6	288/2	291/6	288/6
May	294/0	290/6	[illegible]	292/4

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Jul	335/2	332/6	335/6	333/4
Sep	340/0	336/4	341/4	339/0
Dec	354/4	350/0	355/4	353/0
Mar	361/0	360/0	361/0	359/6
May	358/0	358/0	361/0	357/6

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jun	76.20	76.12	76.35	75.82
Aug	74.25	74.55	74.45	74.00
Oct	[illegible]	75.77	[illegible]	75.65
Dec	76.37	76.50	76.62	76.12
Feb	75.95	75.92	75.90	[illegible]
Apr	76.90	76.92	76.90	76.70

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Jun	64.32	64.55	65.00	64.00
Jul	62.70	63.10	[illegible]	62.15
Aug	60.17	60.45	60.65	59.75
Oct	54.70	54.85	[illegible]	54.05
Dec	53.85	53.75	54.00	[illegible]
Feb	51.30	51.40	51.45	51.00
Apr	48.22	48.15	48.25	47.85

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Jul	70.50	69.75	71.35	69.20
Aug	67.55	67.30	68.70	66.85
Feb	63.25	63.17	63.65	62.60
Mar	62.82	62.50	62.85	[illegible]
May	63.25	62.97	63.25	62.65

LONDON STOCK EXCHANGE

ERM entry factor supports equities

THE UK stock market renewed its advance yesterday, following sterling and gilt-edged bonds to higher ground in the wake of reports that the British Government plans to take the pound into the exchange rate mechanism of the European Monetary System this autumn.

The equity market responded readily to the Financial Times report that full entry into the ERM is planned for September or October, provided sterling is strong enough. However, share gains were trimmed after comments from Downing Street and from Mr John Major, the UK Chancellor, who refused to be more specific on the timing of British entry.

The stock market opened sharply higher in response to the ERM entry report and also the overnight advance on Wall Street. Early gains were extended strongly when the stock futures market opened with a premium on the FT-SE June futures contract which quickly expanded to nearly 40 points.

The gain in the futures pulled the underlying cash market ahead in its wake, and the FT-SE Index increased from 18.5 to 30.4 points within half an hour of the opening of trading in the June Footsie future contract.

This proved to be the high point of the day, however, and shares drifted off their best levels in the absence of any significant weight of institutional support. Traders said that while some overseas funds found encouragement in the renewed focus on ERM entry, UK funds remained cautious on UK economic prospects and were discouraged by a batch of downgradings of leading shares, including British Steel. Equities also reacted to the failure of UK Government bonds to hold on to their best levels and to a narrowing in the premium in the Footsie futures.

By the close, when London was additionally restrained by a slow start to the new Wall Street session, the FT-SE Index had slipped to 2,370.7, but still producing a net gain of 21.9 on the day. Seaq volume showed a modest increase at 483.7m shares, against Monday's total of 375.6m.

A question mark still hangs over turnover levels in the market, despite the withdrawals from London equity market making of two securities firms over the past trading week. Statistics from the International Stock Exchange show that daily volume is still struggling to hold to what are seen as minimal levels compatible with overall market profitability.

Market strategists were cautious in evaluating yesterday's advance in equities. Some of the day's best performances came from shares more likely to benefit from New York influences than from higher sterling – ICI and Glaxo, for example.

Account Dealing Dates

*First Dealings:	May 29	Jun 11	Jun 25
Option Declarations:	Jun 7	Jun 21	Jul 5
Last Dealings:	Jun 8	Jun 22	Jul 6
Account Day:	Jun 18	Jul 2	Jul 16

*New-time dealings may take place from 9.00 am two business days earlier.

Market cool on Fisons

ANALYSTS responded negatively to the manner in which Fisons' asthma drug Tilade was recommended for approval by the advisory committee of the US Food and Drugs Administration. Fisons was the worst performing stock in the FT-SE 100 index on good turnover.

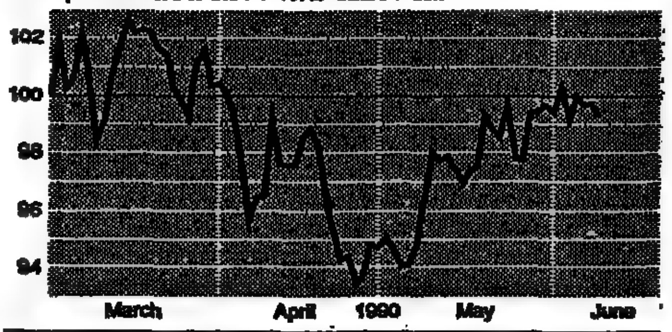
Mr Ian Moore at UBS Phillips & Drew said: "The tone of the [committee] meeting was unenthusiastic. The authorities are not going to bust a gut to get this on to the market as quickly as possible." He predicted Tilade would not be on sale until "well into 1991."

His counterparts at BZW, long-standing bears of Fisons, said there was little scientific or clinical evidence that Tilade would prove to be a major commercial success. They also argued that the arrival of the drug on the market would be delayed. "The average time for a drug to be approved after recommendation is 19 months," said one.

Fisons moved quickly to the attack. Dr Peter Woods, formerly an analyst with BZW and S.G. Warburg and now director of corporate affairs at Fisons, said that Fisons had not spoken to BZW analysts for more than two years and repeated his company's belief that there was no reason why Tilade should not get approval before the end of the year.

Cable & Wireless

Share price relative to the FT-A All-Share index



The recent calm in Cable and Wireless shares followed a year's volatility in the wake of the Chinese Government's actions in Tiananmen Square. Final results out today should do little to disturb the tranquility: 80 per cent of C and W's profits come from Hong Kong Telecom, which has published its 1989 results.

The market sided with the analysts and the shares fell 11 to 356p.

British Airways continued to benefit from good traffic figures announced on Monday. The shares rose 4 to 212p.

When Polly Peck issued a denial that it intended to bid for Granada, the latter's shares slipped 4 to 273p. Polly Peck closed unchanged at 450p.

Tarmac gave up early gains to finish lower on the day following a cautious annual general meeting statement by Sir Eric Fountain, the company's chairman. Sir Eric warned that the construction industry would report lower profits in 1990. Tarmac ended a net penny easier at 244p, having been up 7 at one stage. But analysts said the announcement was not a complete surprise and losses were limited. Turnover was strong with 6m shares changing hands. Tarmac's results also kept Trafalgar House on the defensive; Trafalgar closed unchanged at 310p, having been 4 better initially.

Meyer International gained 21 to 395p following a smaller than expected decline in final profits. They fell to £70.8m from £87.2m but some analysts had believed they could have declined to £65m.

McCarthy & Stone rose 9 to 89p after a poorly executed buy order, while Mowlem put on 7 to 330p as prices were marked higher on modest buying in a quiet market. Tilbury moved ahead 23 to 600p following the announcement after the market had closed on Monday that Philipp Holzmann, the West German construction company, had taken a 14.05 per cent stake.

Racal Electronics and Racal Telecom both slipped 3 to 211p and 362p respectively against the market trend ahead of finals due today.

Unitech climbed 8 to 369p after Mr Tito Tettamanti, the Swiss arbitrageur, increased his stake in the company by a further 1.2m shares. His holding is now 24.16 per cent.

A two-for-five rights issue at 70p a share to raise £5.1m for Electron House was accompanied by a positive statement on the company's prospects. The shares rose 9 to 69p.

Wiggins Teape Appleton, recently demerged from BAT Industries, lost 3 against the market trend to close at 206p. Turnover was 10m and there were suggestions that one foreign-owned securities house had tried to place a long line of the stock.

Second line stocks attracted attention in the brewery sector. J.A. Devenish ended down 12 at 169p after bottoming at 166p. Analysts cut their profits forecasts for the company when it posted a 26 per cent profits fall at the interim stage to £3.8m. A 16 per cent annual profits rise to £17.4m left Marston Thompson 3 up at 180p.

Hazlewood Foods dropped 8 to 144p following disappointing full year results. The £57.1m of profits were in line with expectations but had been boosted by 24m of exceptional items. In addition, the announcement that earnings per share growth would be restrained by its restructuring also depressed the stock. Analysts accordingly lowered their forecasts for the current year. Hoare Govett now expects £60m, down from £67m, County NatWest reduced its forecast to £59m from £70m, and Salomon Brothers moved to £60m from £67m.

Dalgety rose 11 to 371p in response to a positive note from Barclays de Zoete Wedd. BZW noted that the recent weakness in Dalgety's shares had been overdone and that the stock currently stood at a 20-year low relative to the market. It advised investors to buy.

Cadbury Schweppes gained 8 to 345p as Hoare Govett raised its interim profits forecast to £103m from £94m. Hoare said the recent performance of Cadbury's confectionery and drinks business had been better than it previously expected.

Vosper Thornycroft gained 7 to 228p following a 16.7 per cent rise in full year profits to £12m. Analysts said the recent arms cuts proposed by the superpowers had left the market worried about the future performance of defence orientated companies. But Vosper brushed those concerns aside and its shares rallied, helped also by a positive statement from the chairman.

As a result, County NatWest raised its profit forecast for the current year to £14.6m from £13.7m. Mr Pete Deighton of County said the strength of Vosper's order book and cash balance had prompted him to raise his estimate. Vosper's announcement boosted VSEL 7 to 345p; the latter reports its final results tomorrow.

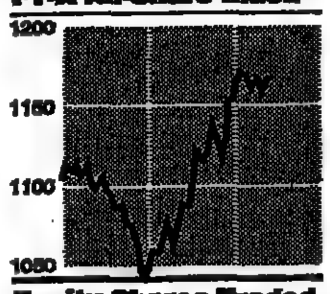
Smiths Industries improved 5 to 275p on suggestions that it had been left out by the recent market advance. Similar talk helped GKN rise 5 to 398p. Thomas Locker "A" gained 3 to 28p on full year profits increased to £3.0m from £3.2m.

Cambridge Electronic said that its £35m disposal programme was being realised. The shares added 11 at 177p. The directors of Unilock put the company up for sale and the shares jumped 19 to 81p.

The directors of third market quoted Haemocell said, after traded had ended, that they were "unaware of any reason" for the sharp fall in the company's shares. The price had lost 37 to 68p.

■ Other Market statistics, including the FT-Actuaries share index, Page 26

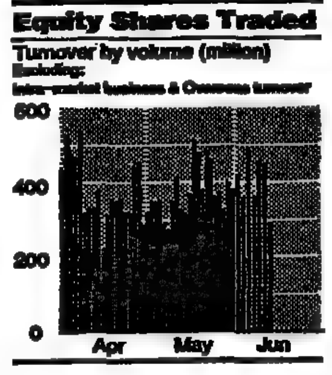
FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)

Excluding: intra-market business & Overseas turnover



NEW HIGHS AND LOWS FOR 1990

NEW HIGHS (128). BRITISH FUNDS (19) AMERICANS (3) BUILDINGS (7) CHEMICALS (3) STORES (7) ELECTRICALS (11) ENGINEERING (9) INDUSTRIALS (16) Aars AB, Barry Wehmiller, CRT Grp., Cathay Pac., Christies Intl., Diploma, Hunting Tech., Monks & Crane, Portals, Reliance Sec. Grp., Relyon, Reuters, Sheldon Jones, TT Group, Unilock, Wolseley, INSURANCE (4) NEWSPAPERS (1) PROPERTY (1) SHOES (1) TEXTILES (1) TOBACCOS (1) TRANSPORT (1) TRUSTS (16). NEW LOWS (88). CANADIANS (2) BANKS (4) BREWERS (3) BUILDINGS (2) CHEMICALS (4) STORES (8) ELECTRICALS (14) ENGINEERING (4) INDUSTRIALS (14) [illegible] Green (E.) & Part., Hensley-Walker, Holders Tech., Insuroupe Tech., NMC 7.75pc Accum. Pf., Norton Grp., SI Grp., Somic, Waterman Partnership, LEISURE (4) MOTORS (2) NEWSPAPERS (1) PAPERS (1) PROPERTY (7) SOUTH AFRICANS (1) TRANSPORT (1) TRUSTS (3) OILS (1) OVERSEAS TRADERS (1) MINES (28) THIRD MARKET (9).

FINANCIAL TIMES STOCK INDICES

	June 12	June 11	June 8	June 7	June 6	Year Ago	1990 High	1990 Low	Since Compilation High	Since Compilation Low
Government Secs	78.80	78.45	78.76	78.70	78.61	83.91	84.20 (2/1)	74.13 (30/4)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	87.61	87.33	87.55	87.41	87.56	95.21	92.91 (8/1)	83.80 (30/4)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share	1901.0	1877.9	1892.7	1904.0	1881.0	1756.0	1968.3 (3/1)	1653.6 (30/4)	2008.6 (5/9/89)	49.4 (26/6/40)
Gold Mines	184.5	187.5	185.1	187.9	202.9	183.1	378.5 (6/2)	184.5 (12/6)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2370.7	2348.8	2368.6	2378.4	2358.5	2123.0	2463.7 (3/1)	2103.4 (30/4)	2463.7 (3/1/90)	986.9 (23/7/84)
Ord. Div. Yield	4.85	4.91	4.89	4.86	4.92	4.59				
Earning Yld %(full)	10.71	10.82	10.92	10.85	11.04	11.13				
P/E Ratio(Net)(☆)	11.32	11.19	11.06	11.12	10.94	10.88				
SEAQ Bargns 4.45pm	25,394	24,528	31,097	29,380	27,457	24,590				
Equity Turnover(£m)†	-	718.63	1020.25	1077.81	899.83	1298.37				
Equity Bargains†	-	25,667	32,379	29,925	27,648	28,083				
Shares Traded (ml)†	-	298.0	459.1	459.6	366.9	429.4				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83. ☆ Nil 11.19

Ordinary Share Index, Hourly changes — Day's High 1908.8 — Day's Low 1892.9

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1892.9	1902.7	1900.4	1903.1	1906.7	1904.9	1904.1	1905.2	1901.2

FT-SE, Hourly changes — Day's High 2379.2 — Day's Low 2367.3

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2367.3	2378.2	2372.2	2374.9	2377.5	2375.8	2375.2	2376.3	2371.5

GILT EDGED ACTIVITY

Indices*	June 11	June 8
Gilt Edged Bargains	81.8	81.5
5 – Day average	86.8	86.8

*SE Activity 1974. †Excluding intra-market business & Overseas turnover. Calculation of the FT Indices of daily Equity Bargains and Equity Value and of the five-day averages of Equity Bargains and Equity Value, was discontinued on July 31. Closing values for July 28 available on request.

London report and latest Share Index: Tel. 0898 123001.

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change
ADT	2,200	195	−1	Courtaulds	342	340	+3	MEPC	114	504	+3	Slough Ests	336	300	+3
ASDA Group	1,200	117	+6	Dalgety	1,400	371	+11	Manpower	324	86	−1	Smith (W.H.) A	88	348	+4
Abbey National	2,400	201		Dixons	5,000	144	+5	Marks & Spencer	2,800	223	+6	Smith & Nephew	3,400	113½	−1½
Allied-Lyons	2,000	511	+6	ECC Group	57	402	+1	Maxwell Comms.	93	199	+1	SmKl Beecham	1,600	599	+1
Amstrad	2,800	71		Enterprise Oil	561	641	+16	Mecca Leisure	2,700	88		SmKl Beecham Units	5	2580	+6
Anglian Water	566	154½	+2½	FKI	4,500	79	−1	Midland Bank	1,400	305		Smiths Inds.	2,400	275	+5
Argos	1,800	229	+4	Ferranti	3,200	46	−2	NatWest Bank	2,100	340	+1	South West Water	300	164	+4
Argyll Group	2,500	232	+5½	Fisons	6,800	356	−11	Next	2,000	65	+2	Southern Water	361	148	+6
Ass. Brit. Foods	455	416	+4	Gen. Accident	296	1137	+7	North West Water	805	158½	+3½	Standard Chartd.	164	472	−3
BAA	635	420	−1	General Elect.	1,800	211	+2	Northern Foods	105	312	−1	Storehouse	548	127	+1
BAT Inds.	1,600	698		Glaxo	3,100	808	+9	Northumbrian Water	161	176	+5	Sun Alliance	875	339	+6
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
British Land	1,088	316	+6	IMI	680	254	+2	Reuters	1,300	1201	+8	Unilever	425	699	+4
BP	8,900	322	+3½	ICI	1,480	1235	+19	Rolls Royce	7,500	225	+1	United Biscuits	1,020	353	+5½
British Steel	7,760	146	−½	Inchcape	1,100	282	+1	Rothmans	297	794		Utd. Newspapers	352	342	+1
British Telecom	7,460	291	+6	Kingfisher	3,400	355	+11	Ryl Bk Scotland	914	175	+1	Water Package Uts.	2	£1550	+37
Brenzl	68	98		Ladbroke	[illegible]	[illegible]	[illegible]	Royal Insurance	970	469	+5	Wellcome	181	834	+5
Burmah Oil	254	684	+6	Land Securities	312	594	+3	STC	1,200	278	+4	Welsh Water	429	170	+5
Burton	3,900	189	+4	Laporte	274	541	+4	Saatchi	1,700	100	−1	Wessex Water	540	160	+2
Cable & Wire.	1,580	550	+15	Legal & General	1,600	401	+5	Sainsbury	1,400	285	+6	Whitbread "A"	1,600	450	+6
Cadbury	1,800	345	+5	Lloyds Abbey	807	311	−2	Scottish & New.	1,500	387	+5	Williams Hldgs.	1,200	272	+4
Calor Group	532	290		Lloyds Bank	1,700	280	+4	Sears	2,000	105	+1	Willis Faber	450	299	+3
Carlton Comms.	996	548	−6	LASMO	442	564	+11	Sedgwick	30	254		Wimpey	289	235	+1
Coats Viyella	305	129		Lonrho	1,500	268	+7	Severn Trent Water	1,300	139½	+3½	Yorkshire Water	341	164	+4
Comm. Union	2,000	615	−2	Lucas	2,800	582	+6	Shell Transport	3,600	439	+4				
Cookson	1,800	212	+3	MB Group	1,680	223	+½	Siebe	186	609	+4				

Based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 4.30pm.

APPOINTMENTS

New chief at Aitken Hume

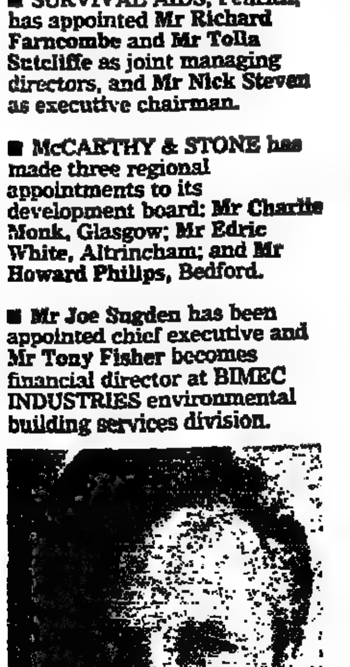
■ Mr Ziad H. Idilby has been appointed chairman and chief executive of AITKEN HUME INTERNATIONAL. He takes over from Mr Jonathan Aitken who becomes deputy chairman.

Mr Idilby is president and chief executive of SIFCORP, an international investment company which is a major shareholder in Aitken Hume. Before co-founding SIFCORP in 1981 he held a number of senior posts with The First National Bank of Chicago. Mr Idilby was head of Europe, Middle East and Africa in London, and then became head of the international banking department in Chicago. He said the board intends to expand existing businesses, and pursue opportunities in Europe and the Far East.

■ SURVIVAL AIDS, Penrith, has appointed Mr Richard Farncombe and Mr Tolla Sutcliffe as joint managing directors, and Mr Nick Steven as executive chairman.

■ McCARTHY & STONE has made three regional appointments to its development board: Mr Charlie Monk, Glasgow; Mr Edric White, Altrincham; and Mr Howard Philips, Bedford.

■ Mr Joe Sugden has been appointed chief executive and Mr Tony Fisher becomes financial director at BIMEC INDUSTRIES environmental building services division.



RENDECK INTERNATIONAL has appointed Mr Ian Bullen *(pictured)* as managing director of its UK operation at Southend-on-Sea. He was European marketing manager of G.E. Information Services.

■ HISTORIC PRODUCTIONS (LANCS), Coventry, which organises themed mediaeval banquets at Coombe Abbey, has appointed Ms Lois Pargetor to the board. She was general manager.

MORGAN STANLEY INTERNATIONAL has appointed Mr Edward Hadas *(pictured)* to its London-based research department to follow heavy industries on a pan-European basis. He was director of research with Bertrand Michel, Paris.

■ Mr Colin Trusler, managing director, has been promoted to chairman and chief executive of SHANDWICK CONSULTANTS.

■ Miss S.J.A. Villiers has been appointed a director of C.T. BOWRING REINSURANCE.

■ HUNTERPRINT GROUP has appointed Mr Andrew Zielinski as group finance director. He was deputy group managing director of Maxwell Consumer Publishing and Communications.

■ WEATHERITE, Warley, has appointed Mr Stephen G. Lander as group financial director. He was group accountant.

■ THE HARTSTONE GROUP, Thame, has appointed Mr Trevor Brentnall as development director. He was a partner with Turner Kenneth Brown, London solicitors who acted for the company on acquisitions.

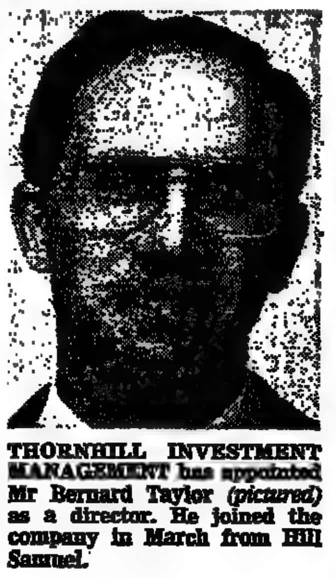
Moves at News International

■ Ms Dorothy Cumpsty has been appointed group director of classified sales and marketing, a new post, on the board of NEWS INTERNATIONAL NEWSPAPERS. She was advertisement director of Times Newspapers. Mr Chris Berry, advertisement director of News Group Newspapers, becomes display advertisement director of Times Newspapers and joins its board. Ms Camilla Rhodes, sales controller for News Group Newspapers, becomes display advertisement director on its board. These changes are from June 18.

Marketing the malts

■ Ms Jill Preston has been appointed director of marketing - malt whisky, at the CHIVAS AND GLENLIVET GROUP, part of Seagram. She was marketing controller for new brands with European Cellars.

■ Mr Clive Timms has been appointed director of finance and company secretary at INDEPENDENT TELEVISION NEWS from August 6. He was chief accountant, news and current affairs directorate, BBC.



THORNHILL INVESTMENT MANAGEMENT has appointed Mr Bernard Taylor *(pictured)* as a director. He joined the company in March from Hill Samuel.

■ WARE TRANSPORT has promoted Mr Frank Dickens to the new post of commercial director. He was general manager, northern division.

■ WESTWARD TECHNOLOGY, Tewkesbury, has appointed Mr Doug Miles as engineering director. He was development manager.

■ G. & S. ALLGOOD, architectural hardware supplier, has appointed Mr Bob Howell as commercial director from July 9. He was managing director of Walmore Electronics.

■ Mr John Saunders has been appointed managing director of RYARSH BRICK, Maidstone, a Kingsway Group company. He was group building materials technical manager, and takes over from Mr Roger Thomas, who becomes managing director of the group's building materials division.

■ CHESSINGTON TYRES, Bordon, has appointed Mr Philip Edwards as financial controller.

■ Mr William van Straubenzee has been appointed a director of J.O. HAMBRO INVESTMENT MANAGEMENT. He was a director of Morgan Grenfell Investment Management.

■ MILLICOM CELLULAR (U.K.), which provides Cellnet and Vodafone networks, has appointed Mr Peter Little as managing director. He joins from Signet, formerly Access, the joint credit card company, where he was production director.

■ The DAVIES GROUP, shopfitters, has appointed Mr Richard Burdett Proctor as special projects executive. He was divisional director of retail at Fitch R.S.

■ PICKERING KENYON, believed to be the oldest firm of solicitors in England, has appointed Mr John A. Stanford as a partner to found a construction law department. He was with another firm of City solicitors.

Engineering director at BRS

Mr Phil Biddlecombe *(pictured)* has been appointed director of engineering at BRITISH ROAD SERVICES, part of the National Freight Consortium. He joins from sister company Exel Logistics, and will review BRS vehicle procurement and purchasing policies. He takes over from Mr John Farrant, who is now European development director for NFC transport division.

LONDON SHARE SERVICE

BRITISH FUNDS

1990 High	1990 Low	Stock	Price £	+ or −	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

"Shorts" (Lives up to Five Years)

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Five to Fifteen Years

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Over Fifteen Years

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Undated

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BRITISH FUNDS—Contd

Index-Linked

1990 High	1990 Low	Stock	Price £	+ or −	(1)	(2)
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for September 1989: 116.6 and for April 1990: 125.1.

INT. BANK AND O'SEAS

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CORPORATION LOANS

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LOANS

Building Societies

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Public Board and Ind.

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FOREIGN BONDS & RAILS

1990 High	1990 Low	Stock	Price £	+ or −	Div %	Red. Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

AMERICANS

1990 High	1990 Low	Stock	Price £	+ or −	Div Gross	Cvr	Y'ld Gr's
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

AMERICANS—Contd

1990 High	1990 Low	Stock	Price £	+ or −	Div Gross	Cvr	Y'ld Gr's
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CANADIANS

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on next page

LONDON SHARE SERVICE

BANKS, HP & LEASING

1990 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
303	209	ANZ SA1	210	−3	44c	1.4	9.5	7.5
210	172	Abbey National 10p	201	....	5.7	4.3	3.8	8.2
*274	210	Allied Irish Ord	235	....	Q40%	♦	4.0	♦
£13¼	£11¼	Algemene Fl 10	£11¼	−⅛	Q28%	2.1	7.9	5.9
85	73	Anglo Irish	73	.....	tQ18.7%	2.7	6.0	10.0
81	68	Ansbacher (H.) 1p	77	.....	2.5	1.3	4.3	22.2
£71⅛	£54¼	Bancaire Cie Fr100	£60¼	+¼	Q12¼%	−	2.3	−
£22⅜	£16⅝	Banco Bilbao Viz	£19	....	Q49.1%	2.7	4.4	12.3
£31	£24¼	Banco de Santander	£27	.....	Q25%	2.4	4.1	10.1
286	224	Bank Ireland Ir£1	257	.....	Q14.3%	♦	5.3	♦
£19½	£18	Bank Leumi	£19½	.....	−	−	−	−
350	320	Bank Leumi (U.K.)	345	.....	t13.5	−	[illegible]	−
125	104	Bank Scotland	118	+1	4.55	3.3	5.1	7.8
100¾	83¾	Do. 9¼pc Irrd Pf	94½	+1½	9¼%	−	[illegible]	−
54	39	Bank of Wales	46	.....	2.8	0.8	8.1	(22.1)
428	352	Barclays £1	398xc	+2	t19.57	3.5	6.6	5.5
22	[illegible]	Benchmark 20p	13	−	1.63	1.0	16.7	7.5
335	310	Brown Shipley £1	310xd	.....	12.0	♦	5.2	♦
455	361	Cater Allen £1	415	.....	23.5	−	7.6	−
179	129	Chancery	129	.....	t8.0	2.8	8.3	5.7
[illegible]	£19⅛	Commerzbk DM10	£19¼	.....	Q18%	−	3.5	−
£13⅛	842	Dai Ichi KBk Y50	885	−4	Q17%	♦	0.4	♦
£313½	£262¼	Deutsche Bk DM50	£262¼	−4¾	Q28%	−	1.9	−
£20⅞	£19	Espirito Santo	£19⅝	−⅛	Q75c	♦	2.3	♦
253	183	First Nat. Fin. 10p	215	.....	13.0	2.4	8.1	[illegible]
[illegible]	96	FNFC 6.3pc Cv Pf	111	+1	6.3%	−	7.6	−
£13⅛	£10½	Fuji Bank Y50	£10½	.....	Q17%	♦	0.3	♦
325	262	Gerrard & National	285	+6	19.0	♦	8.9	♦
154	128	Guinness Mahon 10p	128	.....	2.1	−	2.2	−
328	223	Hambros 20p	273	+3	r10.0	−	4.9	−
128	93	Do. 7.5pc Cv Pf	108	+1	7½%	−	9.3	−
53½	43	HK & Shang. HK$2.50	44½	+½	hQ38c	−	6.5	−
478	458	Joseph (Leo) £1	458	....	15.85	−	4.6	−
150	126	King & Shaxson 20p	148	+2	10.25	♦	9.2	♦
422	340	Kleinwort Benson Grp	392	−4	16.0	2.5	5.4	9.9
642	402	Kyowa Bank Y50	437	−21	Q14%	♦	0.6	♦
312	242	Lloyds £1	289	+4	13.3	2.6	6.1	6.8
56	44	Lon. Scot. Bank 10p	48	+1	2.4	1.8	6.7	10.1
404	271	Midland £1	305	..	18.0	2.6	7.9	6.3
£14½	£10⅞	Mitsubishi Bank Y50	£10⅞	−	Q17%	♦	0.3	♦
£12¼	£6⅞	Mitsubishi Tst & Bk Y50	£7¼	−⅛	Q17%	♦	0.5	♦
£10⅝	£7⅞	Mitsui Bank Y50	£8¼	−⅛	rQ16%	6.0	0.4	[illegible]
904	554	Mitsui Tst & Bk Y50	589	−11	Q17%	♦	0.6	♦
326	279	Nat. Aust. Bk A$1	295	−4	sQ50c	1.6	7.7	8.1
368	299	NatWest £1	340	+1	16.7	3.3	6.5	6.2
£210	£190	Ottoman Bank	£195	−5	Q110%	2.8	5.6	6.3
55	39	Pea Bros. Group	45		0.5	3.4	1.5	21.6
200	155	Rothschild (J.) Hldgs.	196	+8	t9.5	3.6	6.5	5.6
227	149	Royal Bk. Scotland	175	+1	t7.2	3.8	5.5	[illegible]
795	424	Saitama Bank Y50	502	−21	Q14%	♦	0.6	♦
£12¼	806	Sanwa Bank Y50	855	−9	Q17%	♦	0.4	♦
902½	712½	Schroders £1	788	......	h12.5	5.9	2.1	10.6
712½	537½	Do. £1 N/V	588	....	h12.5	5.9	2.8	7.9
£25¼	£20⅛	Sec. Pacific $10	£24¼	−½	Q$1.96	−	4.9	−
616	454	Standard Chartd. £1	472	−3	35.0	1.4	9.9	(8.8)
£16¼	£8⅞	Sumitomo Bank Y50	£9½	−⅛	mQ16%	7.5	0.3	41.9
£11	£6⅞	Sumitomo Tst & Bk Y50	£7¼	−⅛	Q17%	♦	0.5	♦
147	121	TSB	143	−1	5.8	2.8	5.4	9.2
175	126	TSB Bank Ch'nel Is'l	148xd	+1	tQ6.7	3.5	4.5	7.4
£11¼	£5⅞	Tokai Bank Y50	£6½	−¼	Q16%	4.1	0.5	[illegible]
920	605	Toyo Tst & Bk Y50	695	−20	Q15.2%	6.9	0.4	33.4
611	532	Union Discount £1	583	......	33.0	−	7.5	−
525	398	Warburg (S.G.)	442xd	+4	15.0	3.8	4.5	7.7
180	133	Do. 6pc Cnv Prf	152	+4	6%	−	5.3	−
279	208	Westpac SA1	208	−3	Q52.5c	1.5	11.9	5.5
420	373	Wintrust 20p	385	.....	t7.8	−	2.7	−
969	574	Yasuda Tst & Bk Y50	719	−23	Q17%	♦	0.5	♦

Hire Purchase, Leasing, etc.

1990 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
355	173	Anglo Grp 10p	198	+5	t5.0	4.1	3.4	7.7
£128¼	£74½	Do. 9½pc 1999	£77½	−1	Q9½%	−	12.3	−
175	100	CLF Yeoman 50p	100	−25	Q18.5%	♦	5.7	♦
71	60	Cambridge Grp Ir5p	69	.....	Q7½%	♦	0.5	♦
59	32½	Capital Leasing Ir 10p	32½	−1½	tQ1.17%	3.5	3.4	7.6
68	50	Cattle's (Hldgs) 10p	[illegible]	[illegible]	3.58	1.9	7.7	8.9
419	367	Prov. Financial	419	......	20.5	2.0	6.5	10.1
235	205	Reflex Invs. Ir5p	205	......	Q34.6%	6.6	0.8	23.8
225	199	Secure Trust Grp. 1p	212	......	8.5	2.4	5.3	10.5
210	178	Woodchester Ir20p	192	......	Q16.7%	5.9	1.6	13.6

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS – Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

ELECTRICALS

ELECTRICALS – Contd

ENGINEERING

ENGINEERING – Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.) – Contd

INSURANCES

LEISURE

MOTORS, AIRCRAFT TRADES

Commercial Vehicles

LONDON SHARE SERVICE

MOTORS, AIRCRAFT TRADES — Contd

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY—Contd

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRANSPORT

[illegible]

INVESTMENT TRUST

[illegible]

INVESTMENT TRUST—Contd

[illegible]

INVESTMENT TRUST—Contd

[illegible]

Net asset values supplied by County NatWest Wood Mackenzie

FINANCE, LAND, ETC

[illegible]

WATER

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

Tins

[illegible]

MINES—Contd

Miscellaneous

[illegible]

THIRD MARKET

[illegible]

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ◆ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ◆ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- ∥ Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ◆ Merger bid or reorganisation in progress
- ◆ Not comparable
- ◆ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ∥ No par value

B.Fr. Belgian Francs. Fr. French Francs. ◆ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Craig & Rose £1... γ	830	......	Carrol (P.J.)...... γ	148	......
Finlay Pkg. 5p.... γ	53	......	Hall (R. & H.)	167	-5
Holt (Jos) 25p.... γ	1300	......	Helton Hldgs....... γ	75½	+½
			IRG...	205	......
			United Drug........	163xd	-½

IRISH

Cap. 8½% Ln. 1991	£98¼	......
9pc Cap Ln. 1996..	£94½	......
Fin. 13% 97/02...	£112¼	......
Arnotts..............	410	......

TRADITIONAL OPTIONS

3-month call rates

Industrials	p		
Allied-Lyons	40	Racal Elect.	19
Amstrad	7	RHM	38
Astec (BSR)	6	Rank Org Ord.	70
BAT	62	Reed Intnl	38
BOC Grp	46	STC	21
BTR	37	Sears	9
Barclays	34	SmKl. Beecham A	48
Blue Circle	21	TI	39
Boots	24	TSB	11
Bowaters	40	Tesco	19
Brit Aerospace	47	Thorn EMI	42
British Steel	13	Trust Houses	24
Brit. Telecom	25	T&N	18
Cadburys	30	Unilever	58
Charter Cons.	42	Vickers	19
Comm Union	41	Wellcome	57
Courtaulds	29		
Eurotunnel	55	**Property**	
FKI	7	Brit Land	32
FNFC	20	Control Secs.	4
Gen Accident	93	Land Securities	45
GEC	18	MEPC	45
Glaxo	68	Mountleigh	13
Grand Met	53		
Guardian	28	**Oils**	
GKN	33	Aviva Petlm	5
Hanson	20	Brit Petroleum	28
Hawker Sidd.	55	Burmah Oil	55
ICI	99	Conroy Petlm	18
Ladbroke	27	Gaelic Res.	3½
Legal & Gen.	34	Premier	9
Lex Service	28	Shell	40
Lloyds Bank	25	Tuskar Res.	5½
Lucas Inds.	13	Ultramar	31
Marks & Spencer	19		
Midland Bk.	24	**Mines**	
Nat West Bk.	30	Lonrho	21
P & O Dfd	52	RTZ	50
Polly Peck	39		

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OTHER UK UNIT TRUSTS

INSURANCES

Continued on next page

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	Bid Price	Offer Price	+ or –	Yield Gross
Norwich Union Life Insurance Soc.–Contd.				
Pensionmaster* & Unit-Linked Plan*				
Mixed Fund	404.9	426.2	[illegible]	–
Ordinary Share Fund	597.3	628.7	+2.6	–
International Fund	171.7	180.7	+0.3	–
Property Fund	262.5	276.3	+0.3	–
Fixed Interest Fund	294.4	309.9	[illegible]	–
Index-Linked Sec Fund	171.7	180.7	+1.1	–
Deposit Fund	225.8	237.7	+0.4	–
Norwich Units May 15	938.37		—	–
*Prices as at June 5				
Jersey Investment Plan				
With Profits Fund	98.93	104.14	+0.04	–
Intl Equity Fund	95.08	100.08	–0.79	–
Intl Bond Fund	97.22	102.34	–0.59	–
Pearl Assurance (Unit Funds) Ltd				
Thorpe Wood, Peterborough PE3 6SA 0733 63212				
Prop. Dist. (Gross)	170.5	179.5	—	–
Prop. Acc. (Gross)	291.6	307.0	—	–
Equity (Gross)	817.7	860.8	+5.4	–
Managed (Gross)	570.0	600.0	+2.6	–
Prop. Acc. (Net)	135.5	142.7	[illegible]	–
Equity (Net)	188.4	198.3	+1.1	–
Managed (Net)	173.6	182.8	[illegible]	–
International (net)	167.3	176.1	–0.3	–
Gilt & Fxd Interest	103.6	109.1	[illegible]	–
Money Fund	116.1	122.2	—	–
Pearl Assurance (Unit Linked Pens) Ltd				
Ret Man (Series 1)	573.7	603.9	+3.2	–
Ret Man (Series 2)	[illegible]	204.8	+1.1	–
Ret Man (Series 3)	129.7	[illegible]	+0.7	–
Ret Cash	155.4	163.5	—	–
Ret Cash (Series 3)	129.0	129.0	+0.1	–
Pegasus Assurance Ltd				
Broad Quay, Bristol BS1 4DJ 0272 [illegible]				
Life Funds				
Managed Aggressive	105.7	111.3	–0.4	–
Managed Balanced	98.1	103.3	–0.6	–
Managed Cautious	93.9	98.8	–0.4	–
Pension Funds				
Managed Aggressive	106.7	112.4	–0.4	–
Managed Balance	99.5	104.8	–0.6	–
Managed Cautious	94.9	99.70	–0.2	–
Pioneer Mutual Insurance Co Ltd				
16 Crosby Rd, N. Waterloo, Liverpool 051-928 6655				
Managed Fund	322.2	339.2	—	–
Man Pens Inc & Cap Fds	429.6	452.3	—	–
Money Fund	130.5	137.4	—	–
Pens Mngd Fd (Init)	113.2	119.2	—	–
Pens Mngd Fd (Acc)	145.3	153.0	—	–
Pens FT30 Fd (Init)	147.6	155.4	—	–
Pens FT30 Fd (Acc)	189.4	199.4	—	–
Pens O'seas MgFd(Init)	78.3	82.5	—	–
Pens O'seas MgFd(Acc)	100.5	105.8	—	–
Pens Fxd Int Fd (Init)	101.8	107.2	—	–
Pens Fxd Int Fd (Acc)	130.7	137.6	—	–
Pens Deposit Fd (Init)	112.2	118.2	—	–
Pens Deposit Fd (Acc)	144.0	151.6	—	–
Premium Life Assurance Co Ltd				
37–39, Perrymount Road, Haywards Heath 0444 458721				
American	111.0	117.0	–1.0	–
Building Soc. Fd.	185.0	195.0	—	–
Balanced	274.0	289.0	–1.0	–
European	203.0	214.0	–1.0	–
GT Managed	191.0	202.0	–1.0	–
Gartmore Mngd	132.0	139.0	–1.0	–
German	[illegible]	180.0	–1.0	–
Gilt	154.0	[illegible]	+1.0	–
Global	38.0	40.0		–
International Equity	200.0	211.0	–1.0	–
Japan	225.0	237.0	–2.0	–
Leisure	48.0	51.0		–

	Bid Price	Offer Price	+ or –	Yield Gross
Prudential Assurance Co				
Holborn Bars, London EC1N 2NH 071-405 9222				
Prudmed				
Managed June 6	250.1	260.6	—	–
Prudential Holborn Life Ltd				
30 Old Burlington St, London W1X 1LB 071-439 3134				
Holborn Series I Life Funds				
Managed	558.9	588.4	+2.0	–
Equity	1243.5	1303.7	+10.3	–
Fixed Interest	376.1	395.9	+1.0	–
Property	435.1	458.1	—	–
Cash	286.0	301.1	—	–
International	393.8	413.7	–2.4	–
Holborn Series II Life Funds				
Managed	546.6	575.4	+2.9	–
Equity	1115.2	1173.9	+10	–
International	384.4	404.7	–2.3	–
Fixed Int	365.3	384.6	+0.9	–
Property	423.1	[illegible]		–
Cash	278.4	293.1	[illegible]	–
Pacific Basin	204.6	[illegible]	–0.9	–
North American	[illegible]	161.7	–0.8	–
European	187.7	197.6	–1.7	–
Holborn Balanced Gwth	115.1	121.2	+0.1	–
Holborn Strategic Gwth	115.4	121.5	[illegible]	–
Prudential Holborn Pensions Ltd				
30 Old Burlington St, London W1X 1LB 071-439 3134				
Managed	581.7	612.4	+0.3	–
Equity	[illegible]	[illegible]	+6.6	–
Global Equity	243.3	256.2	–3.6	–
Fixed Interest	404.8	426.2	+3.3	–
Property	434.0	456.9	—	–
Cash	178.8	188.3	+0.1	–
Index Linked Gilt	207.8	218.8	+0.9	–
Guaranteed	14.00		–0.25	–
International [illegible]	213.9	225.2	+0.4	–
North American	74.8	78.8	–0.3	–
Japanese	125.4	132.1	–0.3	–
European	112.2	118.2	–1.5	–
Special Situations	119.7	126.0	+4.5	–
Communications	97.2	102.4	–4.0	–
Smaller Companies	108.3	[illegible]	+0.4	–
International Small Cos	142.7	150.3	–1.1	–
Prudential Pensions Limited				
Holborn Bars, London EC1N 2NH 071-548 3282				
Discretionary May 30	£167.57	172.68	—	–
Equity May 30	£181.39	187.78	—	–
International May 30	£30.0	30.67	—	–
Intl Bond May 30	£12.18	12.33	—	–
Fixed Int May 30	£74.96	75.81	—	–
Index Linked May 30	£65.29	66.09	—	–
Property May 30	£109.77	116.02	—	–
Cash May 30	£24.1000	24.1000	—	–
Prudential Retirement Plan				
Managed May 23	392.6	409.0	—	
Cash May 23	223.9	233.3	—	
Prudential Pensions Investment Account				
Pens Mngd June 12	155.1	166.9	–1.1	–
Pens UK Eq June 12	302.9	327.0	–2.6	–
Pens Intl June 12	193.1	208.0	–1.6	–
Pens Global Equity June 12	96.8	101.1	–0.8	–
Pens Fixed June 12	168.4	178.0	+0.2	–
Pens Index Lr June 12	167.8	177.7	–0.1	–
Pens Property June 12	89.4	94.2	—	–
Pens Cash June 12	146.1	153.9	—	–
Regency Life Assurance Co Ltd				
Regency Hse, Lanark Sq, London E14 9RS 071-538 8080				
Aggressive Ptflio Fd	120.5	126.8	+0.3	0.0
Balanced Ptflio Fd	317.4	334.1	+1.7	–
Cautious Ptflio Fd	123.6	130.0	+0.1	0.0
Elite Fund	110.5	116.3	+1.1	–
European Fund	106.6	112.2	–0.4	–
Far East Fund	101.7	107.0	[illegible]	–

	Bid Price	Offer Price	+ or –	Yield Gross
Johnson Fry Financial Services Ltd				
Dorland Hs 20 Regent St, Ldn SW1Y 4PZ 071-439 0924				
J. Fry Man M&G Fd (z)	163.7	172.0	–0.1	–
J. Fry Man Target Pefd (z)	95.9	101.0	–0.2	–
J. Fry Man Pru Holborn Fd	92.2	97.1	–1.0	–
J. Fry Scandia Prem(z)	93.1	97.9	–0.4	–
J. Fry Secure	174.8		–0.4	
J. Fry Recovery	96.5	101.5	–0.8	–
Knight Williams & Company Ltd				
161 New Bond Street, London W1Y 0LA 071-408 1138				
Principal Funds				
KW Principal Portfolio	120.9	127.2	–0.1	–

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or –	Yield Gross
Kleinwort Benson Intl Fd Mngrs Ltd						
PO Box 44, Guernsey, CI 0481 27211						
KB Far East (Gnsy)*	3	£22.79	22.79	24.18	—	[illegible]
KB Gilt*	2½	£12.41	12.41	12.77	[illegible]	[illegible]
Intl Equity Inc*	5	194.2	194.2xd	208.2	—	[illegible]
KB Int'l Bd FC Inc*	5	£5.385	5.385	5.673		[illegible]
Contl European Ltd	5	[illegible]	2.028	2.2[illegible]	[illegible]	[illegible]
Nth American	5	£1.003	1.003	1.071	[illegible]	[illegible]
US Equity Gwth	5	[illegible]	0.9371	1.0084	[illegible]	–
Japanese	5	[illegible]	0.8544	0.9493	[illegible]	
Intl Eqty Gwth Acc*	5	377.5	377.5	405.4	[illegible]	[illegible]
Intl Eqty Gwth Inc*	5	223.6	223.6xd	240.1	[illegible]	[illegible]
*Offer price inclusive of maximum preliminary charge						

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ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

Money Market Trust Funds

Money Market Bank Accounts

Wimbledon & South West Finance Co Ltd
114 Newgate St, London EC1 7AE 071-606 9485
High Int Cheque Acc ... 14.50 11.31 15.73 Qtr

NOTES—Gross rate to those exempt from composite rate of tax. Net actual rate after deduction of CRT. Gr Eqvle CAR: Gross equivalent to basic rate taxpayers—compounded annual rate. Int. Cr frequency interest credited.

MANAGED FUNDS NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % allow for all buying expenses. Prices of certain older insurance linked plans subject to capital gains tax on sales. b Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. z Previous day's price. ∆ Guernsey gross. # Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ♦ Yield column shows annualised rates of NAV increase. xd ex dividend.
(**) Funds not SIB recognised. The regulatory authorities for these funds are: Guernsey: Financial Services Commission; Isle of Man: Financial Supervision Commission; Jersey: Commercial Relations Department; Luxembourg: Institut Monétaire Luxembourgeois.

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

ERM speculation boosts pound

STERLING CAME under the spotlight following a report in the *Financial Times* about possible UK entry into the European Monetary System's exchange rate mechanism during the autumn. The pound opened at DM2.8700,. and gained 3 pfennigs to close around the day's peak at DM2.8825, despite dampening comments on the subject from Downing Street.

The UK Prime Minister's office described the report as "pure speculation", while Mr John Major, Chancellor of the Exchequer, declined to comment on the *FT* article, but told the West German Chamber of Industry and Commerce that not all the conditions for Britain's entry into the ERM have yet been met. He added:"I think no one has any doubt now that the Government is committed to joining the ERM and we have set out the conditions under which that will be possible. A good deal of progress has been made on a number of these conditions, but they have not yet all been met."

A spokesman for the Prime Minister also concentrated on the conditions set out for ERM entry at last year's Madrid summit. These centre on a marked reduction in UK inflation and the liberalisation of financial markets within the European Community.

Sterling rose sharply, but the mood of euphoria was edged with caution, as City economists questioned the motives behind a spate of rumours and counter-rumours about the timing of the pound's full membership of the EMS.

Mr Nick Parsons, economist at Union Discount, said he was suspicious that some officially inspired speculation about early ERM entry could be a smokescreen behind which another poor set of economic data can be released without prompting too serious thoughts about the need for a further rise in bank base rates. He added that if UK economic statistics are to offer evidence that the economy is slowing and that inflationary pressure is abating, there is no need for the Treasury to encourage speculation.

It was also noted that the ERM article appeared at the same time that Mr Karl Otto Pöhl, president of the West German Bundesbank, called for a two-speed system moving towards European monetary union. He suggested that Germany, France and the Benelux countries will lead, and other countries such as the UK will follow.

At the London close the pound had gained 1.70 cents to $1.7030. It had also advanced to FFr9.6975 from FFr9.5975; to SFr2.4450 from SFr2.4275; and to Y263.00 from Y260.50. Sterling's index rose 0.8 to 90.3.

Other currencies, including the dollar, were overshadowed by the performance of the pound. The dollar showed little movement, rising to DM1.6920 from DM1.6915 and to FFr5.6950 from FFr5.6925. It was unchanged at Y154.45, and fell to SFr1.4360 from SFr1.4400. The dollar's index declined to 67.8 from 67.9.

EURO-CURRENCY INTEREST RATES

Jun 12	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
US Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Can. Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D. Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sw. Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Deutschmark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fr. Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Belgian Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Long term Eurodollars: two years 8¾-8⅝ per cent; three years 9¼-9⅛ per cent; four years 9¼-9⅛ per cent; five years 9¼-9⅛ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

£ IN NEW YORK

June 12	Close	Previous Close
£ Spot	1.7025-1.7035	[illegible]
1 month	[illegible]	[illegible]
3 months	[illegible]	[illegible]
12 months	[illegible]	[illegible]

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	June 12	Previous
8.30 am	90.1	[illegible]
9.00 am	[illegible]	[illegible]
10.00 am	[illegible]	[illegible]
11.00 am	[illegible]	[illegible]
Noon	[illegible]	[illegible]
1.00 pm	[illegible]	[illegible]
2.00 pm	[illegible]	[illegible]
3.00 pm	[illegible]	[illegible]
4.00 pm	90.3	[illegible]

CURRENCY RATES

[illegible]

CURRENCY MOVEMENTS

[illegible]

OTHER CURRENCIES

[illegible]

*Selling rate

POUND SPOT- FORWARD AGAINST THE POUND

[illegible]

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

[illegible]

EMS EUROPEAN CURRENCY UNIT RATES

[illegible]

EXCHANGE CROSS RATES

[illegible]

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

LONDON (LIFFE)

[illegible]

CHICAGO

[illegible]

BASE LENDING RATES

	%		%		%
ABN Bank	15	Coutts & Co	15	NatWestminster	15
Adam & Company	15	Cyprus Popular Bk	15	Northern Bank Ltd	15
Allied Trust Bank	15	Dunbar Bank PLC	15	Nykredit Mortgage Bank	15½
Allied Irish Bank	15	Duncan Lawrie	15	Provincial Bank PLC	15
● Henry Ansbacher	15	Equatorial Bank plc	15	Rea Brothers	15
Associates Cap Corp	15½	Exeter Trust Ltd	15½	Roxburghe Guarantee	15½
● B & C Merchant Bank	15	Financial & Gen. Bank	15	Royal Bk of Scotland	15
Bank of Baroda	15	First National Bank Plc	16½	Royal Trust Bank	15
Banco Bilbao Vizcaya	15	● Robert Fleming & Co	15	● Smith & Williamson Secs.	15
Bank Credit & Comm	15	Robert Fraser & Ptrs	15½	Standard Chartered	15
Bank of Cyprus	15	Girobank	15	TSB	15
Bank of Ireland	15	● Guinness Mahon	15	Unibank plc	15
Bank of India	15	HFC Bank plc	15	United Bk of Kuwait	15
Bank of Scotland	15	● Hambros Bank	15	United Mizrahi Bank	15
Banque Belge Ltd	15	Heritable & Gen Inv Bank	15	Unity Trust Bank Plc	15
Barclays Bank	15	● Hill Samuel	§15	Western Trust	15
Benchmark Bank PLC	15	C. Hoare & Co	15	Westpac Bank Corp	15
Brit Bk of Mid East	15	Hongkong & Shangh	15	Whiteaway Laidlaw	15½
● Brown Shipley	15	● Leopold Joseph & Sons	15	Yorkshire Bank	15
CL Bank Nederland	15	Lloyds Bank	15		
● Charterhouse Bank	15	Meghraj Bank Ltd	15		
Citibank NA	15	McDonnell Douglas Bnk	15		
City Merchants Bank	15	Midland Bank	15		
Clydesdale Bank	15	Mount Banking	15		
Comm.Bk.N.East	15	Nat Bk. of Kuwait	15		
Co-operative Bank	*16				

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MONEY MARKETS

London rates lower

SPECULATION about full British entry into the European Monetary System kept downward pressure on London interest rates yesterday. Three-month interbank fell to 14$\frac{25}{32}$-14$\frac{23}{32}$ per cent from 15$\frac{1}{32}$-14$\frac{31}{32}$, and 12-month money declined to 14$\frac{13}{16}$-14$\frac{11}{16}$ per cent from 14¼-14¾. Short sterling futures were fairly active on Liffe, opening very firm at 85.45 for September delivery, on expectations that the pound's membership of the EMS exchange rate mechanism will result in lower UK interest rates. The contract touched 85.54, but the mood of euphoria tended to fade and it closed towards the lower end of the day's range, at 85.45, against 85.32 previously.

UK clearing bank base lending rate 15 per cent from October 5

Day-to-day credit was in reasonably good supply on the money market. The Bank of England initially forecast a shortage of £300m, but revised this to £450m at noon, and to £400m in the afternoon. Total help of £357m was provided.

Before lunch the authorities bought £226m bank bills in band 2 at 14¾ per cent. In the afternoon another £131m bank bills were purchased in band 2 at 14¾ per cent.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £488m, with the unwinding of bill repurchase agreements absorbing £278m, and bank balances below target £25m. These outweighed Exchequer transactions adding £430m to liquidity and a fall in the note circulation of £70m.

In Brussels the Belgian National Bank cut the interest rate on three-month Treasury bills - the main instrument for guiding monetary policy - by 0.10 per cent to 9.65 per cent. This was the second reduction this month and was seen as a move by Belgium to narrow the interest rate gap with West Germany and to tie the Belgian franc more closely to the D-Mark. Rates on one-month and two-month Treasury bills were also cut by 0.10 per cent to 9.65 per cent.

In Frankfurt call money was steady at 7.75 per cent as attention moved towards today's meeting of the Bundesbank council, to be attended by the East German Finance Minister; monetary union is expected to be the main subject of discussion. At this week's securities repurchase agreement tender the Bundesbank drained a net DM2.7bn, by accepting bids for DM12bn of 29-day funds, compared with DM14.7bn leaving the banking system as an earlier facility expired.

FT LONDON INTERBANK FIXING

[illegible]

MONEY RATES

[illegible]

LONDON MONEY RATES

[illegible]

High	Low	Company	Price	Change	Gross div (p)	Yield %	P/E
343	282	Ass. Brit. Ind. Ordinary	282	0	10.3	3.7	7.6
38	19	Armitage and Rhodes	25	0	-	-	-
210	135	Bardon Group (SE)	149	0	4.3	2.9	14.5
125	96	Bardon Group Cv Pref (SE)	96	0	6.7	7.0	-
123	71	Bray Technologies	71	0	5.9	8.3	6.3
110	82	Bremhill Conv. Pref	82	0	11.0	13.4	-
315	285	CCL Group Ordinary	313	+1	18.7	6.0	2.4
176	163	CCL Group 11% Conv.Pref	163	0	14.7	9.0	-
225	140	Carbo Plc (SE)	210	0	7.6	3.6	12.4
110	109	Carbo 7.5% Pref (SE)	110	0	10.3	9.4	-
7.5	0.125	*Magnet Gp Non-VotingA Cnv	0.125	0	-	-	-
5	0.125	*Magnet Gp Non-VotingB Cnv	0.125	0	-	-	-
130	72	Isis Group	72	-1	8.0	11.1	4.1
145	98	Jackson Group (SE)	208xd	0	3.6	3.3	12.6
345	243	Multihouse NV (AmstSE)	345	0	-	-	-
158	98	Robert Jenkins	134	-1	10.0	7.5	4.9
467	325	Scruttons	325	0	20.0	6.2	9.0
165	106	Unistrut Europe Conv Pref	160xd	0	9.3	5.8	-
395	245	Veterinary Drug Co. PLC	246	0	22.0	8.9	6.6
381	278	W.S Yeates	381	+1	16.2	4.3	31.8

JOTTER PAD

CROSSWORD

No.7,262 Set by GRIFFIN

ACROSS

1 For every sad man bothered about being a joiner – (9)
6 – and finding lots of water round many joints (5)
9 Man always backs a republic (5)
10 US newspaper proprietor rubs lip he split (9)
11 An armed timing device? (10)
12 Arms backwards, it's comfortable (4)
14 Less free with girl in bushes (7)
15 After hospital Brown's taken charge (7)
17 Guest with rubbish is returning after six (7)
19 Big-bellied, powerful leading actor enters (7)
20 Label rejected article, more or less (4)
22 Back of rules about Queen seeing strangers (10)
25 Service cleaner enters new suite (9)
26 Evaded mum without getting irritated (5)
27 Approaches one arsonist hidden inside (5)
28 See garden destroyed by turncoats (9)

DOWN

1 Crooked eccentric wakes (5)
2 Poor writer returned home without (9)
3 I create a TV special, "Get Working Again" (10)
4 Is attractive when stewed apple is included (7)
5 Stampede as learner with taxi reverses into river (7)
6 Piece of paper petticoat (4)
7 Pale girl embraced by man when topless (8)
8 Lively agent just left in it (9)
13 Trembling g-girl stung into fighting (10)
14 Result received about approaching majority? (9)
16 Stop nude members going outside unsupervised! (9)
18 Rio – more exotic, more spacious (7)
19 Suddenly name town (7)
21 More soldiers drop tea and coffee (5)
23 Faces the teams (5)
24 Spend a penny on a ship! (4)

Solution to Puzzle No.7,261

WORLD STOCK MARKETS

AUSTRIA ♦

June 12	Sch	+ or –
Austrian Airlines	4,780	—
Creditanstalt	5,900	—
Erste Allgemeine	20,800	—
Jungbunzlauer	14,850	—
Laenderbank	1,210	—
OeMV	10,400	—
Perlmooser	2,095	—
Radex	1,170	—
Reininghaus	2,350	—
Steyr-Daimler	222	—
Veitscher Mag	1,095	—
Verbund	931	—
Wienerberger	6,050	—

BELGIUM/LUXEMBOURG

June 12	Frs.	+ or –
Arbed	5,430	+100
B.B.L.	3,140	—
Bank Intl. a Lux	15,500	—
Banque Gen. Du. Lux.	14,700	—
Banque Nat. Belg	33,250	+225
Barco	2,400	–25
Bekaert B	14,925	–75
Ciment CBR	9,350	–20
Cobepa	5,700	–50
Do. AFV 1	5,800	—
Cockerill	199	–1
Colruyt	25,200	+225
Delhaize	6,400	+40
EBES	3,940	—
Do. AFV 1	3,875	–45
Fabrique Nat.	287	–12
GIB Group	1,388	+4
Do. AFV	1,378	—
GBL (BruxL)	3,980	–10
Do. AFV 1	3,965	–15
Gechem	868	+16
Do. AFV	848	—
Generale Bank	5,280	+80
Do. AFV 1	5,110	–90
Gevaert	8,510	—
Intercom	3,185	–5
Do. AFV 1	3,045	–20
Kredietbank	4,190	+10
Do. AFV	4,295	–5
Pan Holdings	15,400	—
Petrofina	12,175	+100

FRANCE (continued)

June 12	Frs.	+ or –
Beghin-Say	885	+2
Do. Certs	631	—
Bongrain	3,380	+38
Bouygues	657	+5
CGIP	1,345	–4
CMB Packaging	195.5	—
Carrefour	3,535	+40
Casino	143	–1
Cetelem	585	–7
Chargeurs	1,049	+14
Ciments Fr.	1,800	+45
Club Mediterranee	600	–5
Cofimeg	356	—
Coniffi	472	–14
CGE	615	+4
Coparex	585	–15
CCF	230.4	–0.1
Cred Foncier Fr	1,309	+9
Cred Lyons (CI)	840	–5
Credit National	1,498	–18
Darmart	3,200	—
Docks de France	3,680	–30
Dollfuss-Mieg	572	+7
Dumez S.A.	586	–4
Eaux (Cie Gen)	2,554	+14
Ecco	553	+1
Electrofin're	1,029	+14
Elf-Aquitaine	653	–9
Do. Certs	490	–10
Epeda-Bertrand	1,189	–17
Essilor	2,610	+20
Eternit (Fin.)	2,190	–10
Eurafrance	2,005	–10
Eurocom	2,250	–70
Euro Disneyland	104.4	+2.4
Euromarche	3,820	–30
Exor	1,895	+39
Fimalac	201.1	–2.9
Fonciere Lyons	1,085	+6
Fromageries	2,401	+5
GTM-Entrepose	1,635	–5
Gaumont (Sur Ht)	1,065	–16
Gen Geophysique	1,055	–80
Gen Occidentale	755	+3
Hachette	383.1	–6.8
Havas	665	+22
Imetal	357.1	–7.9
Immobiles de Fr	1,640	+30
Immobanque	810	–8

CANADA

TORONTO
Closing prices June 12

MONTREAL
Closing prices June 12

Sales	Stock	High	Low	Close	Chng
5771	Cascades	400	395	400	
45729	DomTxtA	$11	10⅞	11	+ ⅛
100	Donohue	$10⅛	10⅛	10⅛	– ⅛
6620	Memotec	$08½	08⅜	08½	+ ⅛
102320	NatBk Cda	$10⅞	10	10⅛	+ ⅛
32400	Noverco	$14½	14⅜	14⅜	
22207	Power Corp	$15¼	15⅛	15⅛	– ⅛
19228	Provigo	$08⅛	08⅛	09⅛	+ ⅛
200	Quebecr A	$12½	12½	12½	
1700	Quebecr B	$11	10⅞	11	
17575	Videotron	$13½	13	13½	+ ⅛

Total Sales 4,283,342 shares.

INDICES

NEW YORK

DOW JONES	June 12	June 11	June 8	June 7	1990 HIGH	1990 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	2933.42	2892.57	2862.38	2897.33	2935.19 (4/6)	2543.24 (30/1)	2935.19 (4/6/90)	41.22 (2/7/32)
Home Bonds	90.81	90.72	90.85	90.92	93.04 (3/1)	88.48 (2/5)	—	—
Transport	1208.76	1202.01	1201.28	1208.58	1212.77 (6/6)	1031.83 (30/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	215.04	213.22	212.46	213.91	236.23 (2/1)	203.09 (30/4)	236.23 (2/1/90)	10.50 (8/4/32)

♦Day's High 2947.52 (2901.98) Low 2877.97 (2852.97)

STANDARD AND POOR'S	June 12	June 11	June 8	June 7	1990 HIGH	1990 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	366.25	361.63	358.71	363.15	367.40 (4/6)	322.98 (30/1)	367.40 (4/6/90)	4.40 (1/6/32)
Industrials	427.42	421.32	417.53	422.83	428.34 (4/6)	371.92 (30/1)	428.34 (4/6/90)	3.62 (21/6/32)
Financial	30.75	30.61	30.48	30.96	31.87 (3/1)	26.59 (27/4)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	199.66	197.42	196.05	198.21	200.21 (4/6)	178.43 (30/1)	200.21 (4/6/90)	4.46 (25/4/42)
Amex Mkt. Value	364.31	362.32	361.17	363.57	382.45 (5/1)	342.64 (24/4)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	466.56	462.79	460.87	464.09	466.56 (12/6)	410.72 (30/1)	485.73 (9/10/89)	54.87 (31/10/72)

	June 8	May 25	May 18	year ago (approx.)
Dow Industrial Div. Yield	3.71	4.01	3.99	3.52

	June 6	May 30	May 23	year ago (approx.)
S & P Industrial div. yield	2.91	2.93	2.94	3.18
S & P Indl. P/E ratio	17.01	16.89	16.08	12.79

NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Closing price	Change on day
Advanced Micro	2,235,500	9⅞	+ ⅛
West Elect	2,157,700	37⅞	+ ⅜
Boeing	2,150,500	58⅞	+ ⅞
Wendy's Intl.	1,962,400	6⅜	+ ⅛
Baxter Intl	1,628,100	24⅞	+ ⅜
Am Express	1,564,500	30⅜	- ⅛
Pac Gas & Elect	1,524,600	22⅞	—
Philip Morris	1,439,300	45	+ ⅛
IBM	1,376,200	120⅛	+ ⅜
Gen Electric	1,359,400	70⅛	+ 1⅜

TRADING ACTIVITY

† Volume (Millions)	June 12	June 11	June 8
New York	157,100	119,550	142,600
Amex	10,853	8,120	9,314
NASDAQ	(u)	112,219	137,901
Issues Traded	2,003	1,985	1,974
Rises	988	932	457
Falls	541	561	1,004
Unchanged	474	492	513
New Highs	40	21	21
New Lows	31	33	14

CANADA

TORONTO	June 12	June 11	June 8	June 7	1990 HIGH	1990 LOW
Metals & Minerals	3241.40	3201.90	3197.80	3236.80	3453.05 (4/1)	2850.80 (23/4)
Composite	3607.70	3578.70	3571.40	3604.64	4009.47 (3/1)	3334.20 (1/5)
MONTREAL Portfolio	1875.24	1855.23	1849.34	1873.67	2060.90 (3/1)	1720.25 (27/4)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	June 12	June 11	June 8	June 7	1990 HIGH	1990 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1501.5	(c)	1504.1	1509.2	1713.7 (12/1)	1434.5 (30/4)
All Mining (1/1/80)	723.7	(c)	728.5	736.2	860.8 (5/1)	715.3 (1/5)
AUSTRIA						
Credit Aktien (30/12/84)	572.39	576.44	581.16	582.46	703.29 (19/3)	526.59 (2/1)
BELGIUM						
Brussels SE (Cash Mkt) (1/1/80)	6420.53	6413.26	6375.70	6370.64	6599.43 (12/1)	5568.16 (26/2)
DENMARK						
Copenhagen SE (3/1/83)	377.65	375.33	376.55	376.66	380.47 (28/3)	352.96 (25/4)
FINLAND						
Unitas General (1975)	572.6	572.5	576.3	575.0	677.3 (29/1)	562.2 (11/5)
FRANCE						
CAC General (31/12/82)	540.62	539.59	548.71	548.59	564.62 (30/5)	482.94 (26/2)
CAC 40 (31/12/87)	2005.82	2002.38	2021.41	2050.45	2129.32 (20/4)	1800.32 (26/2)
GERMANY						
FAZ Aktien (31/12/58)	770.23	768.39	775.49	783.53	830.92 (3/4)	732.71 (24/1)
Commerzbank (1/12/53)	2220.20	2215.1	2238.9	2363.4	2414.0 (3/4)	2151.5 (24/1)
DAX (30/12/87)	1800.36	1809.66	1822.23	1837.43	1968.55 (30/3)	1756.41 (24/1)
HONG KONG						
Hang Seng Bank (31/7/64)	3203.00	3154.99	3174.33	3145.30	3203.00 (12/6)	2738.28 (1/2)
IRELAND						
ISEQ Overall (4/1/88)	1716.25	1706.89	1706.05	1709.45	1898.10 (22/1)	1582.61 (2/5)
ITALY						
Banca Com. Ital. (1972)	754.62	750.93	751.99	751.19	754.62 (12/6)	646.73 (26/2)
JAPAN						
Nikkei (16/5/49)	32322.31	32540.18	32983.29	33192.50	38712.88 (4/1)	28002.07 (2/4)
Tokyo SE (Topix) (4/1/68)	2380.56	2393.01	2411.78	2428.44	2867.70 (4/1)	2058.82 (5/4)
2nd Section (4/1/68)	4064.80	4056.95	4069.07	4057.12	4284.68 (9/2)	3313.92 (5/4)
MALAYSIA						
KLSE Composite (4/4/86)	581.59	585.10	588.09	585.74	622.20 (20/2)	518.53 (2/5)
NETHERLANDS						
CBS Ttl.Rtn.Gen.(End 1983)	265.7	264.7	266.4	267.2	289.0 (3/1)	249.1 (26/2)
CBS All Shr (End 1983)	198.0	197.3	198.6	199.2	206.3 (3/1)	184.2 (26/2)
NORWAY						
Oslo SE (Ind) (2/1/83)	839.52	837.16	845.09	848.31	859.05 (5/6)	701.67 (2/1)
PHILIPPINES						
Manila Comp (2/1/85)	(c)	882.74	772.15	764.53	1160.70 (21/3)	740.31 (6/6)
SINGAPORE						
SES All-Singapore (2/4/75)	435.08	437.99	438.46	435.94	443.34 (6/2)	401.34 (30/4)
SOUTH AFRICA						
JSE Gold (28/9/78)	1565.0	1502.0	1459.0	1492.0	2238.0 (16/1)	1461.0 (8/6)
JSE Industrial (28/9/78)	2989.0	2987.0	2991.0	3004.0	3211.0 (6/2)	2794.0 (25/4)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	784.97	786.35	803.63	804.89	928.82 (4/1)	688.66 (30/4)
SPAIN						
Madrid SE (30/12/85)	286.28	285.39	284.59	285.45	302.85 (4/1)	248.17 (2/4)
SWEDEN						
Affarsvärlden Gen. (1/2/37)	1275.3	1270.80	1275.80	1275.10	1317.88 (12/1)	1127.20 (2/4)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	816.8	810.1	816.6	815.8	825.1 (5/6)	737.6 (27/3)
TAIWAN**						
Weighted Price (30/6/66)	6323.22	5933.74	6454.12	6602.12	12495.34 (10/2)	5933.74 (11/6)
THAILAND						
Bangkok SET (30/4/75)	1016.66	991.27	1033.52	1022.98	1033.52 (8/6)	780.39 (7/2)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	517.5	519.7	525.6	571.0 (4/1)	468.3 (2/4)

**Saturday June 9: Taiwan Weighted Price: 6098.16. Korea Comp Ex. 799.12

& Subject to official recalculation.

Base values of all indices are 100 except: Brussels SE, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks
Tuesday June 12 1990

	Stocks Traded	Closing Prices	Change on day
MHI	19.8m	1,040	0
Nippon Steel	8.9m	599	-8
Isuzu Motors	8.9m	1,100	+20
NKK	8.1m	660	-10
Morinaga Milk	6.8m	920	+45
IHI	6.7m	1,100	-40
Tokyo Keiki	6.7m	1,640	0
Nippon Lt Mtl	6.2m	895	-12
Mitsui Eng&Shp	6.1m	959	-7
Furukawa	5.4m	1,110	+40

4pm prices June 12

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A – A – A –								
37½	20	AAR	.48	2.4	12	1140	19⅞	d19½	19⅝	–⅛
9¾	8	ACM n	1.01	11.		600	9	8⅞	8⅞	–⅛
11⅞	9⅝	ACMIn	1.26	12.		506	10⅛	10	10⅛	+⅛
9⅞	7⅛	ACM M n	1.01	13.		143	7⅞	7½	7⅞	–⅛
12⅛	10	ACMMM				145	10⅞	10⅝	10⅞	+⅛
11½	9⅛	ACM Sc	1.26	13.		1010	10	9⅞	9⅞	
9⅞	8⅛	ACMSp	1.01	12.		424	8⅞	8⅛	8⅛	–⅛
24⅞	14⅛	AL Lab	.16	.7	21	128	23½	23	23⅛	–⅞
5¾	2⅛	AM Intl				699	2½	2⅜	2½	+⅛
23⅛	10⅛	AM In pf	2	16.		142	12⅝	12½	12⅝	+⅛
107⅛	62½	AMR			13	5313	68⅞	67⅛	68⅛	+⅞
4¾	3	ARX				46	3⅞	3⅛	3⅞	+⅛
72¾	40⅛	ASA	3a	6.7		717	45½	44¾	44⅞	
39¾	27⅞	AbtLab	s.84	2.2	20	8547	39⅛	38	39	+1⅛
16⅞	11⅛	Abitibi g	.50			105	13¼	13⅛	13⅛	–⅛
13	8½	AcmeC	.40	4.4	11	130	9	8¾	9	
9¼	7⅝	AcmeE	.32	3.8	11	7	8⅞	8⅞	8⅞	–⅛
41⅞	28⅜	Acuson			23	1348	39⅞	38⅝	38⅝	–⅞
16½	13¾	AdaEx	2.08e	13.		120	16⅜	16⅛	16⅜	+⅛
15⅞	9½	Adobe				46	12¼	12⅛	12⅛	–⅛
20⅛	17¼	Adob pf	1.84	9.4		200	19½	19¼	19½	
21⅝	20⅛	Adob pf	2.40	12.		20	20⅝	20⅜	20⅜	–⅛
11⅛	6⅞	AMD			21	22355	10	9½	9⅞	+⅞
34⅞	28¼	AMD pf	3	9.5		37	31½	31⅛	31½	+⅛
10¼	4⅛	Advest	.16	3.5	58	69	4⅛	4⅛	4⅝	
62½	45⅛	AetnLf	2.76	5.2	9	1634	53¼	52¼	53⅛	+⅞
14	9¼	AffPb	.24	2.3		751	10⅜	10¼	10⅜	
25	18⅛	Ahmans	.88	4.0	10	1299	22½	21¼	22¼	+¾
3⅝	1⅞	Aileen				78	2⅜	2⅛	2⅜	+⅛
58	40	AirPrd	1.32	2.4	14	2742	56⅛	55½	55¾	+⅞
24¼	13⅛	AirFrt s			15	513	22½	21⅞	22⅛	+⅞
25⅛	15½	Airgas			20	118	18⅞	18⅝	18⅝	–⅛
20¾	16½	Airlease	2.40	14.	8	24	17½	17⅜	17½	–⅛
10¼	9⅛	AlaP dpf	.87	9.3		5	9⅜	9⅜	9⅜	–⅛
107	102	AlaP pf	11	10.		z100	105	105	105	+1
93	84	AlaP pf	8.16	9.6		z500	85	85	85	
91	83¼	AlaP pf	8.28	9.6		z150	86	86	86	+⅛
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on Page 43

NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
13⅝	11⅞	QstVl	1.20a	9.1		387	13⅝	13⅛	13⅛	- ⅛
14⅝	10¼	QstVC				356	13¾	13½	13⅝	+ ⅛
39¾	34	Questar	1.92	5.4	14	95	35¾	34⅞	35¾	+ ⅝
15¼	11¼	QkRelly	.28e	1.9	12	170	14¾	14⅝	14¾	- ⅛
		— R—R—R —								
11¼	9⅞	RAC In	1.25	12.		314	10⅝	10½	10⅝	- ¼
5⅛	1⅞	RAC	.46e	10.	10	115	4⅝	4½	4½	
7⅞	6⅞	RJR Nb wt				1961	7	d 6⅝	6⅞	- ⅛
14¾	6⅞	RLI Cp	.40	2.8	8	68	14½	14	14½	+ ⅛
13	10½	RMI Tl n.88e		.2		507	12½	12⅜	12⅜	+ ⅛
17⅝	9¼	ROC Fd.38e		3.6		542	10⅝	10¼	10⅝	+ ⅛
8⅞	5¼	RPC			20	119	8⅝	8¼	8¼	- ⅛
6½	5⅝	RPS	.82e	14.	7	79	6¼	6	6	- ⅛
81¼	49¼	Racal	.28e	.4	42	707	82⅞	81⅛	82⅜	+ ⅞
101½	77¾	RalsPur	1.85	2.0	17	883	93⅞	92⅞	93½	+ ¾
6⅞	5⅛	RangrO	.06e	1.0	20	138	6⅛	6⅛	6⅛	
39⅛	25¼	Raycm	.32	.9	16	1593	34⅝	33⅞	34½	+ ½
21⅞	15	RJamF	.24	1.1	6	8	21⅛	20⅞	21⅛	+ ¼
28½	16⅝	Raynr	3.60	17.	6	507	22	20¾	21⅝	- ¼
85	60	Raythn	2.40	3.7	9	1976	64⅝	64⅛	64⅝	+ ⅛
26½	21	RdrDg	n.12e	.5		1552	26⅛	25	26	+1⅛
5	15-16	RdgB n				818	2⅞	2⅛	2⅛	- ⅛
17	14	REIT	1.42	9.2	10	23	15½	15¼	15⅜	- ⅛
16⅛	13⅝	RltRef	1.72	12.	8	4	14⅞	14⅝	14⅞	- ⅛
12⅝	4½	RecnEq				11	4⅞	4¾	4⅞	+ ⅛
20	12⅝	Reebok	.30	1.6	12	3675	18⅝	18⅛	18⅝	+ ⅛
½	5-32	Regal				43	⅛	⅛	⅛	
15⅝	11⅞	ReichTg	1.76a	14.	7	11	12½	12⅜	12½	
8⅞	4⅞	RelGrp	.32	6.2	128	98	5⅛	5	5⅛	
25	18¼	Repsol	n.27e	1.1		1675	23⅞	23½	23⅞	+ ⅛
8⅞	3⅞	RepGyp	.78f	5.2	28	69	8⅛	8⅝	8⅝	- ⅛
52⅛	42½	RepNY	1.32	2.7	364	534	49⅞	48¼	49⅞	+ ¾
11⅛	1⅞	Rexene				93	2⅞	2⅝	2⅞	+ ⅛
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

AMEX COMPOSITE PRICES

4pm prices June 12

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

NASDAQ NATIONAL MARKET

3pm prices June 12

Stock	Div.	Sales 100s	High	Low	Last	Chng
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FINANCIAL TIMES Wednesday June 13 1990

AMERICA

Late surge pushes Dow up despite cautious dealing

Wall Street

A LATE burst of futures-related programme trading helped push equities sharply higher yesterday afternoon on a day which was characterised by cautious trading ahead of a flood of economic data slated for the end of the week, *writes Karen Zagor in New York.*

The Dow Jones Industrial Average closed up 40.85 points at 2,933.42, after moving in a narrowly mixed range through most of the day. In the last two days the Dow has retraced most of its four session losses from its record 2,935.19 close on June 4. On Monday, the Dow added 30.19 points to close at 2,892.57.

Volume on the New York Stock Exchange was moderately thin, with only 158.3m shares changing hands. On the big board, advancing issues outpaced those declining 983 to 539. Among broader market indices, the Standard & Poor's 500 was closed up 4.62 points at 366.25, the New York Stock Exchange Composite added 2.34 points to 199.66 and the American Exchange Composite moved 1.99 points higher to 364.31.

The stock market's afternoon surge came in spite of a dull bond market, where the Treasury's benchmark 30-year bond was quoted down ⅛ points yielding 8.44 per cent. Fed Funds, the rate at which banks lend to each other, changed hands at 8¼, and the Federal Reserve did not operate in the open market.

Some analysts believe that the stock market will take its lead from the bond market when the producer and consumer price indices for May are released on Thursday and Friday. Both indices are expected to have risen about 0.3 per cent in May. In addition, stocks are expected to get some support from buying by institutions which are cutting back cash positions ahead of the end of the second quarter.

Boeing added $⅞ to $58⅞ in very active trading yesterday after gaining $3¾ a day earlier on news that the company had received an order worth $4.8bn from Korean Airlines.

Among other blue chip issues which have paced the recent stock market rally, IBM rose $⅞ to $120⅝, Merck climbed $2⅛ to $81⅞, and Philip Morris rose $⅞ to $45. Chase Manhattan Bank fell $⅜ to $25⅞ after Moody's Investors Service lowered its rating on the company senior debt based on deterioration in Chase's commercial real-estate portfolio.

Among other money centre banks, Citicorp gained $⅛ to $24. Advanced Micro Devices gained $⅛ to $10, National Semiconductor was up $⅛ to $8⅛. In over-the-counter trading, a number of technology issues were on the most active list including Sun Microsystems up $1⅝ at $33.

Canada

TORONTO stocks rallied in late trade following Wall Street after several rounds of programme buying for quarterly window-dressing, dealers said.

The composite index gained 29.00 to 3,607.66 on volume of 19.3m shares. Advances led declines 310 to 249.

The Canadian market is still closely watching the constitutional accord to see if it will be ratified by June 23.

Thriving Jakarta tackles teething troubles

Foreign funds and steps to boost liquidity may nurse it through, says Claire Bolderson

EIGHTEEN months after the Government announced a series of financial reforms which helped attract foreign portfolio investment, Indonesia's juvenile stock market is beginning to grow up, nurtured by overseas investor interest and a flurry of new listings.

But as with any youthful market, teething troubles persist, and the question now is whether further government measures, such as a new banking law, can keep up with the market's rapid pace of growth.

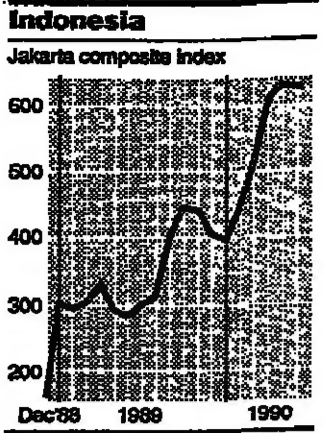
Just over a year ago, there were only 24 companies listed on the main board of the Jakarta Stock Exchange. By the end of 1989, that number had grown to 56, and this month will see the total reach 90, with a market capitalisation of about $18bn. At the same time, daily trading, which stood at about $2m in mid-1989, has soared to at least $14m a day. The composite index hit a record high of 681.94 on April 4, a gain of about 70 per cent since the end of last year.

Yesterday, the index eased 0.34 to 634.42 in trading dominated by Bank Duta which made its debut, rising 1,000 rupiah above its offer price of 9,000 rupiah ($4.90).

The bullish activity is expected to continue as more companies come to the market. Among them will be the JSE's biggest listing so far, PT Indah Kiat, the Indonesian-Taiwanese joint venture paper and pulp maker, is to be listed on July 15 after offering 60m shares at 10,600 rupiah each. Over the next two years, 52 state-owned companies are set to be partly privatised.

There had been fears that the pace and size of the new listings would swamp the emerging Jakarta market and absorb liquidity. However, most new listings have met with an enthusiastic response. Astra International, for example, with holdings in car and motorcycle assembly, agribusiness and forestry, was 25 times oversubscribed when it made its debut in February.

A key element has been the foreign investors who, since August last year, have been allowed to buy up to 49 per cent of all new issues except for those of banks, which must be wholly Indonesian owned. Foreigners have been attracted by forecasts of a 6.8 per cent growth rate in gross domestic product this year, and by the Government's apparent determination to move away from a rigidly state-led economy.



At the same time, some stock brokers are anxious that, with more and more companies coming to the market, local investors may have difficulty in raising the necessary 51 per cent domestic investment.

Indonesia's Finance Ministry is well aware of the brake that this could put on the market's expansion. A banking law to be introduced later this year is expected to provide incentives for Indonesia's highly liquid state pension funds and insurance companies to invest on the JSE. The law is also expected to include plans for the privatisation of the stock exchange itself.

Widening its investor base has not, however, been the JSE's most pressing problem. On May 1, the authorities introduced new trading rules in an attempt to counteract a shortage of trained local brokers, inadequate accounting systems and excessive paperwork, leading to lengthy settlement delays.

Under the new system, share certificates, which used to come in all shapes and sizes, must be re-registered in denominations of 100, 500 and 10,000. Normal board trading is now in lots of 500, with smaller trades going through odd-lot traders at a premium. The change in rules has been greeted enthusiastically by foreign brokers, who used to have to wait for weeks for settlement while awkward certificate sizes were split or re-registered for each buyer.

Trading conditions in the JSE however, remain difficult. Inadequate or unreliable financial disclosure, illiquid stocks and some cases of price manipulation are among the stumbling blocks. There is also a feeling in some foreign quarters that the market, with a price/earnings ratio of 33, has long been overvalued and that a correction is due.

But as Indonesia's economy remains buoyant and share supply continues to catch up with demand, analysts expect the market to continue to attract considerable attention both at home and abroad.

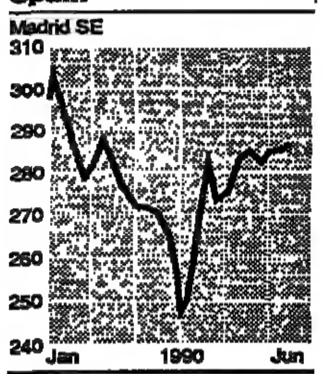
EUROPE

Madrid and Zurich greet positive inflation figures

BETTER-than-expected inflation data for May lifted Madrid and Zurich, while Milan hit another 1990 high. Frankfurt, however, continued to slip, *writes Our Markets Staff.*

MADRID welcomed an unchanged consumer price index for May compared with April, and rose in improved turnover. May's figure reduced the annualised inflation rate to 6.5 per cent from 7 per cent the previous month.

A good inflation figure had been widely expected, with estimates ranging from no increase at all to a rise of 0.2 per cent, and the market had risen in anticipation. Immediately after the news, profit-taking trimmed gains and the general index closed 0.89 up at 286.28 in turnover of about Pta12bn, with a small pick-up in foreign interest reported.



Construction stocks performed well, with Uralita up Pta20 at Pta3,800, after rising Pta70 earlier.

ZURICH was also encouraged by the release of inflation data for May. The Crédit Suisse index gained 7.8 to 656.6 on the news of a 0.5 per cent rise in the cost-of-living index last month compared with April, after expectations of a rise of between 0.7 and 0.9 per cent.

Insurance company Winterthur's bearers rose SFr90 to SFr4,130 after the company said that it was optimistic about 1990 profits.

MILAN ended higher after a subdued start as buying interest for banks and insurers combined with position-squaring on the penultimate day of the June account.

Dealers were surprised by the volume of buy orders at the end of the monthly account, because investors usually waited until the start of the new trading period. The Comit index rose 3.69 to 754.62, another year's high.

Among the insurers, Generali added L490 to L44,390 while Ras climbed L480 to L27,200. In the banking sector, BCI rose L70 to L5,470 and Mediobanca jumped L330 to L21,400.

Fiat was left behind, losing L16 to L10,455 and Olivetti dropped L15 to L7,085 as the Dutch electronics group, Philips, and the Italian computer group said they had ended exploratory talks on co-operation without reaching a deal. Dealers expected Olivetti to slip further as speculators made an exodus.

FRANKFURT started firmer, cheered by Wall Street's recovery on Monday, but tumbled in the last 15 minutes of trading as a wave of sell orders hit a thin market. The DAX hit a high of 1,820 before slipping to 1,800.21, down 9.30, managing to stay above the important 1,800 resistance point. The FAZ, calculated at midsession, firmed 1.93 to 770.23. Volume fell to DM5.3bn from DM6.6bn.

Chemical stocks, which account for nearly one-third of the DAX index, slumped after the chairman of Hoechst indicated a possible 10 per cent decline in 1990 earnings from its record 1989 level. Dealers said this heralded a widespread downgrading of earnings forecasts for the entire sector. Hoechst, the second most active share with 1.8m shares traded, fell DM5.80 to DM286.00. Bayer dropped DM4.70 to DM301.50 and BASF eased DM2.50 to DM294.50.

But the building sector bucked the trend as several construction companies made optimistic forecasts for 1990 thanks to prospects in East Germany. Philipp Holzmann closed DM35 better at DM1,485 while Bilfinger und Berger recovered half of Monday's fall, ending DM28 higher at DM863.

Continental, which has risen in recent sessions, was 50 pfg off at DM309 with 740,516 shares traded.

PARIS watched Elf Aquitaine, the oil group which owns the cargo on the Mega Borg ship, fall 3.5 per cent to FFr639 on rumours that it could face heavy costs from the oil spill in the Gulf of Mexico. The company later asserted that liability rested with the shipper, and its share price recovered to FFr653, off FFr9, with 675,700 shares traded.

Also active was Auxiliaire d'Entreprise, the construction group, which fell FFr15 to FFr1,200 on volume of 235,875 shares, after a spokeswoman for Mr Michel Pélège, the property developer who owns a 20.2 per cent stake, said he would not raise his stake. After the market closed, however, Mr Pélège was said to have increased his holding.

Lafarge Coppée, the cement producer, recovered FFr8 to FFr463 after its recent weakness in continued busy trading, but elsewhere the market was quiet. The CAC 40 index rose 3.44 to 2,005.82, after a day's low of 1,988.05, in turnover estimated at FFr2.5bn following Monday's FFr2.1bn.

AMSTERDAM was underpinned by Wall Street's gain on Monday but trading was thin. The CBS Tendency index added 0.4 to 130.8. Among the multinationals, Royal Dutch rose Fl 1.30 to Fl 143.30 and Unilever gained 90 cents to Fl 155.90. Retailer Ahold, due to publish first 1990 quarter results on Thursday, rose Fl 3.20 to Fl 144.20.

STOCKHOLM climbed in moderate trading, bolstered by signs of falling interest rates. The weighted Affärsvärlden General index added 4.5 to 1,275.3, in turnover of SKr344m. One of the biggest winners was office supplies group Esselte, free B shares in which added SKr15 to SKr235 on the news that it had sold real estate holdings in Sweden to a state pension fund for SKr3.45bn.

ASIA PACIFIC

Nikkei falls for third day in volatile trading

Tokyo

THE NIKKEI'S third decline in a row came yesterday at the end of a day of volatile trading, during which the market was rocked by index-linked activity and growing interest rate concerns, *writes Michiyo Nakamoto in Tokyo.*

Volume, at 500m shares, was only slightly better than the 350m traded on Monday. The Nikkei average began the day lower and fell further on arbitrage selling. Later, buying in arbitrage with the index futures, which had risen, lifted the Nikkei. Spreading concern about domestic interest rates, however, checked the midday rise, and the Nikkei finished with a loss of 217.87 at 32,322.31.

The day's high was 32,598.98 while the low was 32,284.60. Declines led advances by 604 to 328 while 189 issues were unchanged. The broad-based Topix index declined 12.45 to 2,380.56 but, in London, the ISE/Nikkei 50 index rose 1.53 to 1,777.15.

The release in the afternoon in Tokyo of the Bank of Japan's short-term economic survey, which indicated that the economy was growing at a brisk pace, dashed hopes that interest rates might fall in the near future. Consequently, investors turned away from domestic issues to high technology stocks, which have a larger export ratio and which could also benefit from the recent weakness of the yen.

Pioneer added Y30 to Y6,330; TDK, the maker of magnetic tapes, rose Y40 to Y6,790; Akai Electric, with an export ratio of 79 per cent, gained Y50 to Y1,090; and Fujitsu was up Y10 at Y1,420.

The rise in this sector was not across the board, however, with NEC, the electronics company, and Matsushita each losing Y30, to Y2,030 and Y2,170 respectively.

Another incentive to buy highly priced issues was speculation that some of the companies in this category would make scrip issues. Rumours focused on Nintendo, the maker of video games, which advanced Y700 to Y23,400 in Tokyo and surged Y1,000 to Y23,600 on the Osaka market, where it is popular because it is based near there.

Among speculative issues, Hoxan, a leading oxygen maker which has developed its own solar cell technology, gained Y200 to Y1,270. It was popular on the news that its solar-powered car performed well in a competition for such cars.

Morinaga Milk, a leading dairy products manufacturer, was pursued on the news that a drug developed by its pharmaceutical subsidiary had been approved by the Ministry of Health and Welfare for use in suppressing the side effects of cancer treatment. Morinaga advanced Y45 to Y920.

Large-capital issues suffered in Osaka, where the OSE average dropped 152.85 to 35,388.78. Volume at 49m shares was slightly better than Monday's total of 30m.

Roundup

A RECORD one-day rise in Taiwan came amid hopes of an influx of new funds into the market. Elsewhere, Wall Street's recovery on Monday helped some markets at the start, but Tokyo's third consecutive loss wiped out early gains. Manila was closed for Independence Day.

TAIWAN rebounded in improved volume on the news that the Securities and Exchange Commission may allow Taiwan's numerous employee welfare funds to invest more money in stocks.

The weighted index, which had plummeted by 1,923 points or 24 per cent since June 2, closed 389.48 higher at 6,323.22, a record single-day rise of 6.6 per cent.

AUSTRALIA started confidently after Monday's holiday, thanks to a surge in News Corp stock after the company disclosed more details of the spin-off of its Hong Kong newspaper. One broker said the 45 cent rise in News Corp shares to A$11.10 was widely believed to be due to short-covering by a US institution.

But the market ended easier, dragged down by an afternoon drop in Tokyo. The All Ordinaries index closed 2.6 lower at 1,501.5. Turnover amounted to 73m shares worth A$166m, with falls outnumbering rises by eight to seven.

NEW ZEALAND closed firmer as investors watched developments on overseas markets. The Barclays index finished 11.14 higher at 1,775.97, making up most of its 16-point fall on Monday. Turnover was 6.5m shares or NZ$12m.

HONG KONG rallied on the back of Wall Street's recovery on Monday. The Hang Seng index jumped 48.01 to 3,203.00 and turnover shot up to HK$2.28bn from HK$1.61bn. Small stocks led the list of most actively traded shares. Regal International rose 2.5 cents to HK$2.40.

BANGKOK recovered from Monday's fall, which had been triggered by the resignation of the defence minister, as the political situation appeared to have stabilised. The official SET index gained 25.75 to 1,016.66 in heavy turnover.

SEOUL fell but ended off the day's lows as buying by the market stabilisation fund propped up the market. The composite index closed down 1.38 at 734.97 in volume of 140bn won after 110.4bn won the previous day.

SINGAPORE made widespread falls as cautious investors continued to liquidate their positions in a market that lacked fresh factors. The Straits Times Industrial index lost 16.05 to 1,540.84.

KUALA LUMPUR opened steady, thanks to Wall Street, but drifted lower as investors continued to liquidate positions. The composite index fell 3.51 to 581.59 and turnover shrank to 25m shares.

SOUTH AFRICA

GOLD SHARES firmed again in light trading, helped by a steady bullion price and a weaker financial rand. Vaal Reefs rose R4 to R296. Gold Fields group mines showed no immediate response to lower final dividend declarations.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	TUESDAY JUNE 12 1990								MONDAY JUNE 11 1990					DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1990 High	1990 Low	Year ago (approx)
Australia (80)	137.54	−0.1	119.74	134.28	120.99	118.19	−0.3	5.90	137.64	121.04	134.38	121.05	118.55	158.31	125.86	130.21
Austria (19)	243.98	−0.7	212.40	238.20	214.62	214.48	−0.8	1.26	245.66	216.02	239.84	216.04	216.13	285.63	193.15	119.29
Belgium (61)	151.09	+0.4	131.53	147.50	132.91	129.48	+0.2	4.45	150.56	132.40	146.96	132.40	129.21	160.02	132.11	126.54
Canada (119)	139.65	+0.8	121.58	136.34	122.84	118.52	+0.8	3.44	138.61	121.89	135.32	121.89	117.53	153.61	130.37	140.81
Denmark (33)	255.36	+0.6	222.31	249.31	224.63	223.67	+0.6	1.29	253.78	223.17	247.77	223.18	222.29	260.82	236.69	184.07
Finland (26)	136.52	+0.5	118.85	133.29	120.09	113.76	+0.3	2.41	135.90	119.50	132.69	119.51	113.43	152.29	129.99	139.76
France (125)	157.09	+0.1	136.76	153.36	138.18	140.34	+0.1	2.93	156.97	138.03	153.24	138.02	140.16	168.85	141.69	116.21
West Germany (93)	127.03	+0.2	110.59	124.03	111.74	111.74	+0.2	2.00	126.83	111.53	123.84	111.53	111.53	137.71	122.05	83.32
Hong Kong (48)	132.47	+1.8	115.33	129.33	116.53	132.38	+1.8	4.74	130.18	114.48	127.10	114.49	130.06	132.47	112.24	98.30
Ireland (17)	188.39	+0.6	164.01	183.93	165.72	167.48	+0.5	2.62	187.31	164.71	182.87	164.72	166.56	198.57	172.72	128.97
Italy (96)	107.62	+0.6	93.69	105.07	94.67	99.87	+0.6	2.37	106.98	94.08	104.44	94.06	99.29	107.62	91.85	79.78
Japan (454)	148.29	−0.7	129.09	144.77	130.46	144.77	−0.7	0.58	149.26	131.26	145.73	131.28	145.73	197.26	124.40	166.28
Malaysia (35)	231.33	−0.5	201.39	225.84	203.49	241.31	−0.6	2.24	232.41	204.37	226.89	204.38	242.43	245.32	204.15	177.50
Mexico (13)	533.13	−1.0	464.13	520.50	468.96	1657.48	−0.9	0.31	538.30	473.38	525.55	473.39	1672.96	549.86	324.53	245.26
Netherland (43)	139.30	+0.4	121.27	135.99	122.54	121.05	+0.4	4.66	138.80	122.06	135.51	122.07	120.56	145.66	130.43	114.25
New Zealand (17)	63.65	+0.5	55.41	62.15	55.99	58.46	+0.5	7.56	63.33	55.69	61.83	55.69	58.14	75.36	59.57	63.22
Norway (23)	236.64	+0.7	206.01	231.04	208.17	208.53	+0.5	1.47	234.99	206.64	229.43	206.66	207.40	245.90	202.34	170.63
Singapore (25)	206.87	−0.1	180.10	201.97	181.98	176.17	−0.2	1.92	206.98	182.00	202.07	182.01	176.55	207.93	179.70	158.39
South Africa (60)	182.88	−0.6	159.21	178.54	160.87	160.23	+0.2	3.75	184.03	161.82	179.66	161.83	159.95	251.39	173.80	136.74
Spain (42)	160.26	+0.3	139.52	156.46	140.97	127.35	+0.4	4.18	159.76	140.48	155.98	140.49	126.90	165.19	132.84	145.50
Sweden (35)	215.57	+0.6	187.67	210.47	189.64	194.99	+0.4	2.07	214.26	188.41	209.19	188.43	194.20	217.57	173.89	158.05
Switzerland (66)	103.00	+1.5	89.67	100.57	90.62	91.70	+1.2	2.25	101.51	89.26	99.11	89.28	90.62	104.31	88.75	74.40
United Kingdom (305)	163.37	+1.9	142.22	159.48	143.69	142.22	+0.9	4.75	160.32	140.98	156.51	140.98	140.98	164.31	139.87	133.28
USA (537)	148.11	+1.3	128.94	144.61	130.29	148.11	+1.3	3.27	146.28	128.63	142.82	128.64	146.28	148.55	130.61	132.19
Europe (984)	146.76	+1.0	127.76	143.28	129.10	128.11	+0.6	3.55	145.34	127.80	141.89	127.82	127.39	147.76	135.57	112.63
Nordic (117)	205.10	+0.6	178.55	200.24	180.42	175.25	+0.5	1.71	203.83	179.24	199.00	179.25	174.38	206.93	185.01	153.13
Pacific Basin (659)	147.26	−0.6	128.20	143.77	129.54	143.08	−0.6	0.90	148.10	130.23	144.60	130.24	143.92	192.75	124.63	162.35
Euro−Pacific (1643)	147.44	+0.0	128.36	143.94	129.69	137.55	−0.1	1.97	147.37	129.59	143.87	129.59	137.72	174.18	130.35	142.54
North America (656)	147.50	+1.2	128.41	144.02	129.77	146.15	+1.2	3.28	145.71	128.13	142.28	128.16	144.37	147.87	131.02	132.61
Europe Ex. UK (679)	135.30	+0.4	117.79	132.12	119.04	119.34	+0.4	2.77	134.78	118.52	131.62	118.55	118.91	139.50	124.81	99.46
Pacific Ex. Japan (205)	134.19	+0.5	116.83	131.03	118.06	120.51	+0.4	5.08	133.50	117.39	130.35	117.41	120.03	139.32	122.53	115.25
World Ex. US (1835)	147.75	+0.1	128.63	144.26	129.98	137.53	−0.1	2.04	147.66	129.85	144.17	129.86	137.65	173.77	131.30	142.49
World Ex. UK (2067)	145.10	+0.3	126.32	141.67	127.65	140.60	+0.3	2.22	144.64	127.19	141.22	127.21	140.35	162.00	130.80	138.34
World Ex. So. Af. (2312)	146.49	+0.5	127.53	143.03	128.87	140.76	+0.4	2.46	145.79	128.20	142.34	128.22	140.23	161.84	131.95	137.88
World Ex. Japan (1918)	147.36	+1.1	128.29	143.88	129.65	139.09	+0.9	3.45	145.79	128.20	142.35	128.23	137.82	147.88	134.62	124.59
The World Index (2372)	146.71	+0.5	127.72	143.24	129.07	140.89	+0.4	2.47	146.02	128.40	142.56	128.42	140.37	162.05	132.25	137.87

Constituent change 12/6/90: Name change: Texas Air Corp. to Continental Airlines (US).Austrian prices were unavailable June 11.